

EUROPEAN ECONOMY

COMMISSION OF THE EUROPEAN COMMUNITIES • DIRECTORATE-GENERAL FOR ECONOMIC AND FINANCIAL AFFAIRS

Supplement A – No 5/6 – May/June 1989

*In this number:
Economic forecasts
for 1989 and 1990¹*

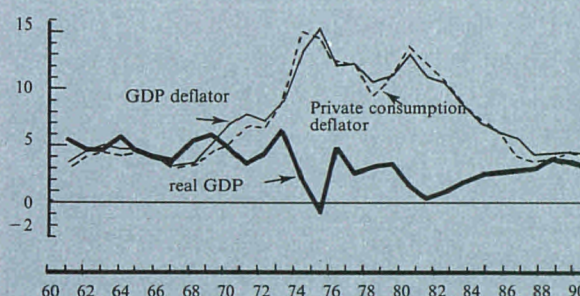
Recent economic trends

THE 1989/90 ECONOMIC SITUATION IN BRIEF

The main features of the Commission services' spring economic forecasts are as follows:

- *Economic growth in the Community should continue strongly at a rate of 3.2 % in 1989 and almost 3 % in 1990.*
- *Investment remains the engine of growth and extra-Community exports are recovering.*
- *Inflation is expected to accelerate for both internal and external reasons (to 4.8 % in 1989 and 4.5 % in 1990).*
- *Employment will continue to increase by around 1 % per year (around 2 3/4 million persons during the period), and unemployment in the Community will decrease to around 10 % in 1990.*
- *The average public borrowing requirement in the Community should fall to around 3 % of GDP in 1989 and 1990, but divergencies on budgetary positions between the Member States are increasing.*
- *Divergences on external accounts between Member States should continue to increase.*
- *The reduction of the international current account imbalances could slow down, especially in 1990.*

GRAPH 1: Real GDP and inflation in the Community, annual percentage changes



GRAPH 2: GDP and employment growth in the Community, annual percentage growth rate



¹ This is a summary of the results of Commission services' spring forecasting exercise, based on data up to 25 May 1989. The earlier forecasts for 1989-90 were summarized in Supplement A, No. 2, of February 1989.

TABLE 1: Gross domestic product, volume (percentage change at constant prices on preceding year, 1961-90)*

	1961-73	1974-81	1982-86	1987	1988	1989	1990
B	4,9	2,0	1,4	2,0	4,0	3,6	2,8
DK	4,3	1,2	3,5	-1,0	-0,2	1,1	1,7
D	4,4	1,9	1,6	1,9	3,5	3,0	3,0
GR	7,7	3,0	1,6	-0,4	3,5	3,0	2,6
E	7,2	1,8	2,1	5,5	5,0	4,5	4,1
F	5,4	2,5	1,7	2,2	3,2	3,1	3,1
IRL	4,4	4,3	1,5	4,1	3,8	4,1	4,0
I	5,3	2,6	2,0	3,1	3,9	3,4	3,0
L	4,2	1,2	3,8	2,5	5,0	3,2	2,8
NL	4,8	2,0	1,6	1,3	2,6	3,4	3,0
P	6,9	3,0	1,6	4,7	4,0	4,2	3,9
UK	3,2	0,7	2,7	3,8	3,7	2,4	2,1
EUR	4,8	1,9	2,0	2,8	3,6	3,2	2,9
USA	4,0	2,1	3,0	3,6	3,9	2,6	1,7
JAP	9,6	3,7	3,6	4,3	5,7	4,3	3,6

TABLE 2: Deflator of gross domestic product (percentage change on preceding year, 1961-90)*

	1961-73	1974-81	1982-86	1987	1988	1989	1990
B	4,1	7,1	5,4	2,0	1,5	2,9	3,5
DK	7,0	10,0	6,6	5,0	4,9	3,2	2,7
D	4,3	4,7	3,0	2,0	1,5	2,2	2,7
GR	4,5	16,3	20,1	15,7	13,3	15,6	15,0
E	7,1	17,0	11,2	5,9	5,7	6,6	6,4
F	5,0	11,0	7,9	2,8	2,8	2,8	2,7
IRL	7,1	14,8	8,7	2,5	1,7	5,1	3,3
I	5,4	17,7	11,7	5,6	6,0	6,5	6,9
L	4,3	6,7	5,3	-1,1	2,6	1,6	2,7
NL	6,0	6,9	2,4	-0,9	1,6	1,4	1,8
P	4,0	19,6	22,1	12,1	11,6	12,3	11,2
UK	5,1	15,9	5,3	4,9	6,6	7,6	5,8
EUR	5,2	12,2	7,4	4,0	4,3	4,9	4,7
USA	3,6	8,3	3,7	3,1	3,4	4,6	4,2
JAP	6,0	6,9	1,4	-0,2	0,4	3,0	3,2

TABLE 3: Rates of change of demand components (EUR-12, 1988-90)¹*

	Percentage change on preceding period at constant prices						
	1988	1989	1990	1989-I	1989-II	1990-I	1990-II
Private consumption	3,7	2,9	2,8	3,2	2,6	2,7	3,2
Government consumption	1,9	1,8	1,8	2,8	3,1	1,5	1,3
Fixed capital formation	7,8	6,8	5,0	8,1	5,4	5,1	4,5
— Construction	6,4	4,7	3,9	6,7	3,1	4,3	4,2
— Equipment	9,3	8,9	6,1	9,5	7,6	5,9	4,9
Change in stock as % of GDP	1,3	1,3	1,3	1,4	1,3	1,3	1,2
Domestic demand	4,7	3,5	3,1	3,1	3,2	3,1	2,9
Exports of goods and services	5,2	5,8	5,8	7,2	7,6	5,5	4,7
Imports of goods and services	8,6	6,8	5,9	6,5	4,4	6,1	7,0
Gross domestic product	3,6	3,2	2,9	3,2	4,1	2,8	2,1

¹ Half-yearly figures at annual rates, seasonally adjusted (1989-I = first half of 1989 etc.).

TABLE 4: Export markets and export performance (percentage change on preceding year, 1988-90)*

	Export markets			Export performance ¹		
	1988	1989 ²	1990 ²	1988	1989 ²	1990 ²
B	9,8	7,0	6,6	-0,2	0,8	-0,5
DK	6,9	5,4	5,2	-1,1	-0,2	-0,4
D	10,2	7,2	6,3	-3,7	0,3	0,5
GR	7,5	5,8	5,8	-1,3	-1,2	-1,4
E	9,1	6,5	6,1	-1,0	-0,4	-0,6
F	9,8	7,3	6,6	-2,2	-0,3	-0,2
IRL	10,1	6,1	5,7	0,6	0,5	2,5
I	10,1	7,1	6,7	-3,9	-1,1	-1,6
L ²	—	—	—	—	—	—
NL	7,9	6,2	5,8	0,7	0,4	-0,2
P	10,0	7,2	6,6	-2,0	1,7	0,8
UK	8,7	6,9	6,4	-8,5	-3,2	0,6
EUR	9,5	6,9	6,3	-3,4	-0,6	-0,1
USA	12,5	7,1	6,3	8,4	3,1	2,4
JAP	11,5	8,3	7,5	-6,4	-2,1	-1,5

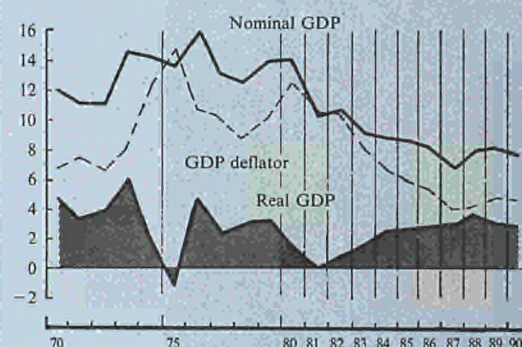
¹ Indices of export volume growth divided by indices of market growth (includes intra community trade).² Included in the figures for Belgium.

* Notes: see page 13.

The outlook for the Community. — Economic growth in the Community continues to be strong. Real output will expand in 1989 at a rate of 3 ¼ % not much lower than that achieved in 1988 (3.6 %). This rate is a quarter of a percentage point higher than that forecast in January. However, as was already feared at the time, faster growth goes hand in hand with larger imbalances: inflation at 4.8 % (deflator of private consumption) is higher than had been projected during the last round of forecasts and the Member States external payments disequilibria could also be larger. In 1990, growth will remain robust: almost 3 % in real terms, stronger than in any of the first five years of the present recovery. Inflation is forecast to abate somewhat and should not exceed 4 ½ %.

The forces that have created the growth momentum remain broadly the same. Domestic demand in the Community is still growing faster than GDP, so that in spite of a buoyant export performance the current account is deteriorating (both in value and in volume). Investment remains the fastest growing component of demand, especially investment in equipment. Investment in construction, supported by yet another mild winter, is growing more than was expected a few months ago. Employment is increasing rapidly, by around 1 % per year, and this is providing support for households' income and consumption. Unemployment continues to decrease reaching about 10 % in 1990, the lowest figure since 1982. Two interesting aspects of the growth performance in the EC are: 1) in spite of virtually full utilization of capacity, the rate of growth remains on a 3 to 3 ½ % path (against around 2 ½ % between 1984 and 1987); 2) there is less diversity of growth rates among Member States in 1989 and 1990 than in previous years.

GRAPH 3: Nominal GDP, Deflator of GDP, real GDP (percentage change on preceding year, EC 1970-1990)



However, inflation rates have started to rise again. The strengthening of energy and commodity prices combined with the depreciation of European currencies vis-à-vis the dollar has ended the period of terms of trade gains. The rise in the deflator of private consumption will no longer be significantly lower than that of GDP, as it was the case in the last three years. In addition, internal factor prices are evolving in an unsatisfactory way in various Member States.

The usual assumption of exchange rate stability underlies the forecast. In value terms, the Community's exports to the rest of the world are expected to increase by around 11 ½ % in 1989 and by 9 % in 1990, and imports by almost 15 % in 1989 and by more than 10 % in 1990. Thus the Community's trade balance (fob/fob) is expected to deteriorate somewhat in 1989 and 1990, reducing the trade surplus to around ¼ of a percent of GDP. The current account will be broadly in equilibrium for the EC as a whole in both 1989 and 1990 (against +1.4 % of GDP in the peak year 1986).

Domestic demand and exports both sustain growth. — In 1989, real domestic demand in the Community should grow by 3.5 %, more than a full point less than in 1988, but still well above the rate of the period 1983-1985. Investment continues to expand fast (6.8 %), due to very buoyant investment in equipment (8.9 %). Investment in construction benefits from increasing demand and, especially in the northern Member States, from a second successive mild winter. It is now projected to grow again at a rapid rate (4.7 %). Private consumption is slowing down (2.9 % against 3.7 % in 1988). Real gross disposable income is being negatively affected by the increase in inflation which will be only partly offset by another drop in the savings ratio. Community exports of goods to the rest of the world should increase in 1989 by around 5 ½ % in volume terms thus confirming the marked recovery from the low rates of expansion of the years 1987-1988 that had already appeared in the January forecast. Import volumes are projected to increase at almost 6 ½ %, somewhat less than in 1988.

1990 should see investment returning to a rate of growth similar to that of 1987, around 5 %, while private consumption is expected to increase by 2.8 %. Domestic demand as a whole should grow by 3.1 %, still slightly faster than GDP. Export volumes to the rest of the world could rise at 5 ¼ %, significantly supporting economic growth. Import volumes from the rest of the world should broadly grow in line with exports.

Investment continues strongly. — *Gross fixed capital formation* should expand in 1989 by 6.8 % in real terms, more than one point faster than had been expected in January. This confirms its position as the most dynamic component of demand. The 1990 rate of increase of fixed investment is projected to be 5.0 %, much the same as in the last forecasting round, as the tougher anti-inflationary measures taken in many countries should roughly offset the generally stronger momentum of investment.

This picture, broadly in line with that envisaged under the Community's 'Cooperative growth strategy for more employment', is explained by several factors which have been operative for some years, but whose results have become visible since 1987. Demand is, and is expected to remain, strong. Capacity utilization is high and approaching its 1972/73 peak. And, finally, the profitability of productive capital has improved substantially and is expected to continue to do so.

As a result, the share of gross fixed capital formation in GDP will continue to increase as it has since 1987. Prior to that year, the share of investment had been falling. In 1989, the investment ratio could return to the level of 1982 and recover further to around 21 % in 1990. However, these levels remain well below those of the 1960s and 1970s when the investment share was around 23 %, a level which at that time was consistent with full employment.

What is true for investment in general is particularly true for *investment in equipment*. After the increase of 9.3 % in real terms of 1988, the highest rate of increase since 1973, investment in equipment is now expected to expand by 8.9 % in 1989 and 6.1 % in 1990. The continuation of the very good performance of *investment in construction* was surprising. The increase of 6.4 % in 1988, the highest rate for over two decades, was attributed to a combination of various economic factors (corporate investment to increase capacity, the steady growth of government investment after several years of deceleration, private investment in dwellings benefitting from higher incomes and better employment prospects) and to an exceptionally mild winter. Building investment is now expected to expand in 1989 by 4.7 % in real terms, supported by the same factors as in 1988, the mild winter included. Some technical reaction is expected for 1990, but construction investment will still be supported by strong demand and is projected to increase by almost 4 %.

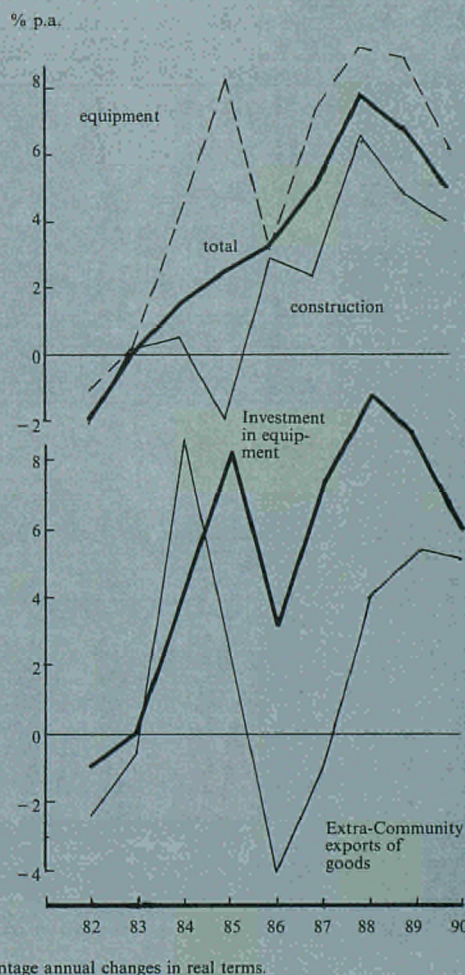
TABLE 5: **Final domestic demand, volume** (percentage change at constant prices on preceding year, 1961-90)*

	1961-73	1974-81	1982-86	1987	1988	1989	1990
B	4,8	1,7	0,9	3,4	4,0	3,8	3,0
DK	4,6	0,0	4,2	-3,2	-2,1	-0,2	1,1
D	4,5	1,7	1,3	3,2	3,5	2,4	2,9
GR	8,2	2,1	1,9	0,4	4,1	3,8	2,8
E	7,7	1,4	1,8	8,5	6,7	6,2	5,2
F	5,7	2,0	1,9	3,3	3,5	3,0	3,0
IRL	5,4	3,5	-0,5	-1,5	-0,3	4,8	3,7
I	5,5	2,0	2,2	4,8	4,3	3,8	3,6
L	4,2	1,8	1,8	2,5	4,3	3,1	2,3
NL	4,9	1,5	1,8	2,1	2,7	3,5	2,4
P	7,5	2,8	-0,2	10,6	8,4	6,3	5,1
UK	3,2	0,2	3,3	4,3	6,5	3,3	1,7
EUR	5,0	1,5	2,0	4,1	4,7	3,5	3,1
USA	4,1	1,8	4,0	3,0	3,0	2,3	1,4
JAP	9,9	2,7	3,3	5,1	7,8	4,6	3,8

TABLE 6: **Total investment, volume** (percentage change on preceding year, 1961-90)*

	1961-73	1974-81	1982-86	1987	1988	1989	1990
B	5,1	-0,6	0,2	7,6	12,9	10,5	5,8
DK	6,5	-5,3	10,1	-9,0	-6,9	-3,1	1,7
D	4,0	0,1	0,4	1,8	5,8	6,0	4,9
GR	10,0	-1,9	-2,0	-3,2	10,1	9,6	7,2
E	10,4	-1,3	1,1	14,6	14,0	13,6	10,2
F	7,7	0,2	-0,4	3,7	6,1	5,6	5,5
IRL	10,0	4,6	-4,4	0,0	0,7	6,6	7,3
I	4,3	0,5	0,6	5,2	4,9	5,2	3,8
L	5,1	-1,1	-0,3	5,3	4,6	4,0	2,4
NL	5,3	-1,6	3,6	1,6	7,9	6,2	1,1
P	7,8	1,4	-3,5	19,5	15,8	12,0	10,0
UK	4,6	-1,8	4,7	5,5	11,8	6,3	3,1
EUR	5,6	-0,4	1,1	4,8	7,8	6,8	5,0
USA	4,5	0,5	4,4	3,1	6,1	3,0	1,6
JAP	14,1	1,5	3,4	10,3	13,5	5,6	5,3

GRAPH 4: **Components of investment; investment in equipment and Community exports**



* Notes: see page 13.

TABLE 7: **Investment in equipment, volume** (percentage change on preceding year, 1974-90)*

	1974-81	1982-85	1986	1987	1988	1989	1990
B	2,0	3,8	10,9	10,3	14,0	14,0	8,0
DK	-1,3	12,8	14,8	-14,8	-8,1	-0,5	3,8
D	2,1	1,9	4,3	5,6	7,5	8,3	7,2
GR	0,1	1,9	-6,5	-0,9	9,5	9,0	8,0
E	-0,5	-0,5	10,4	21,7	14,7	13,9	9,4
F	1,8	0,7	3,8	5,0	7,3	6,9	7,0
IRL	5,6	0,6	0,3	3,6	6,0	7,4	7,1
I	1,9	3,0	2,0	14,1	6,0	6,2	4,8
L	1,3	-1,1	19,4	35,7	3,0	5,0	3,0
NL	-0,6	9,0	9,9	0,1	5,4	8,6	2,0
P	—	—	—	31,0	19,5	13,0	9,5
UK	-0,1	6,4	-3,9	12,2	16,0	11,8	3,9
EUR ¹	1,2	2,8	3,1	9,3	9,3	8,9	6,1

¹ EUR-11 up to 1986, EUR-12 from 1987 onwards.TABLE 8: **Investment in construction, volume** (percentage change on preceding year, 1974-90)*

	1974-81	1982-85	1986	1987	1988	1989	1990
B	-1,6	-4,5	2,1	5,4	12,0	7,5	3,8
DK	-7,2	3,9	19,2	-1,2	-6,0	-5,0	0,0
D	-0,9	-1,7	2,4	0,2	4,5	4,2	3,0
GR	-3,1	-3,2	-3,4	-5,0	10,5	10,0	6,5
E	-1,6	-1,3	6,5	10,0	13,5	13,5	10,8
F	0,1	-2,5	2,0	2,3	4,6	3,8	3,4
IRL	4,3	-9,6	-5,3	-6,5	-6,2	5,4	7,5
I	-0,4	-1,5	-0,7	-0,4	3,7	4,0	2,6
L	-1,4	-4,8	7,7	4,6	5,5	3,5	2,1
NL	-2,0	-2,4	4,0	2,9	10,0	4,3	0,4
P	—	—	—	10,5	12,3	11,0	10,5
UK	-3,3	4,3	4,4	4,5	7,5	0,3	2,0
EUR ¹	-1,3	-0,8	2,8	2,4	6,4	4,7	3,9

¹ EUR-11 up to 1986, EUR-12 from 1987 onwards.TABLE 9: **Private consumption, volume** (percentage change on preceding year, 1961-90)*

	1961-73	1974-81	1982-86	1987	1988	1989	1990
B	4,3	2,3	1,4	1,6	2,5	2,7	2,8
DK	3,8	0,7	3,3	-1,0	-1,3	0,0	1,0
D	5,0	2,7	1,4	3,4	2,5	1,6	2,6
GR	6,7	3,2	1,9	0,5	2,7	2,6	2,0
E	7,2	2,0	1,2	5,5	4,2	4,0	3,7
F	5,3	2,7	2,2	2,5	2,6	2,4	2,5
IRL	4,1	3,0	0,1	0,1	1,8	3,5	4,6
I	5,9	2,5	2,3	4,6	3,8	3,6	3,8
L	4,6	3,2	1,7	1,4	3,5	3,3	2,5
NL	5,6	2,7	1,2	2,9	1,9	3,0	3,0
P	6,5	2,2	1,0	6,8	6,6	4,2	3,5
UK	2,9	0,9	3,2	5,1	6,5	3,6	1,9
EUR	4,9	2,2	2,0	3,8	3,7	2,9	2,8
USA	4,2	2,3	4,0	2,7	2,8	2,4	1,7
JAP	8,8	3,3	3,2	3,9	5,0	4,5	3,3

TABLE 10: **Real compensation of employees per head¹** (percentage change on preceding year 1961-90)*

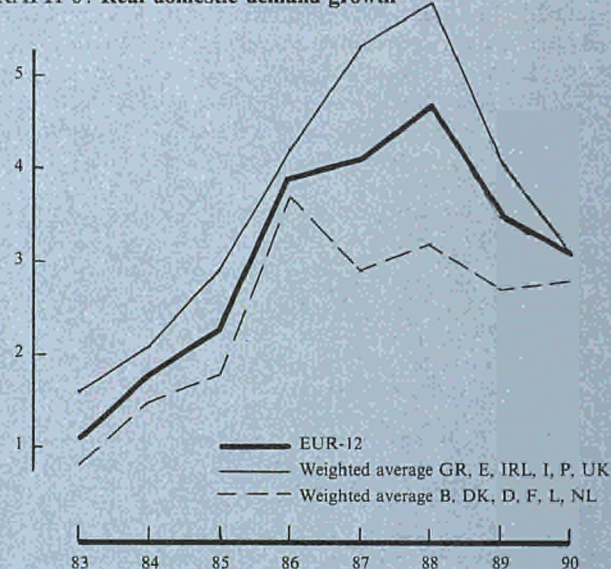
	1961-73	1974-81	1982-86	1987	1988	1989	1990
B	5,1	2,9	0,6	-1,3	1,2	2,1	2,0
DK	3,8	0,4	0,7	4,0	-2,6	-1,3	0,0
D	5,4	2,0	1,2	2,2	1,7	-0,1	0,5
GR	6,5	3,7	1,8	-3,4	3,3	3,0	1,5
E	7,5	3,2	0,3	0,9	1,2	1,1	1,0
F	4,8	3,0	1,1	0,6	0,8	0,4	0,8
IRL	5,0	2,3	1,8	2,8	1,7	1,0	1,4
I	6,5	2,5	0,7	4,0	3,8	1,4	2,3
L	4,2	2,9	-0,3	0,9	1,8	3,4	2,0
NL	6,0	1,6	-0,0	1,6	0,7	0,1	0,0
P	8,3	3,0	-0,0	3,1	0,9	0,1	1,7
UK	3,3	1,7	1,6	3,0	2,8	3,2	2,6
EUR	5,1	2,3	1,0	2,0	1,9	1,1	1,4

¹ Deflated by private consumption prices.

* Notes: see page 13.

As a result, the period 1987 to 1990 will represent a record period for investment in construction with annual growth of about 4 ½ %. This type of investment had actually decreased in the period 1974 to 1981, on average by more than 1 percentage point a year, while in the first phase of the recovery, 1982-1986, it had on average stagnated.

Consumption slows down as real income growth decelerates in 1989 and fiscal easing in 1990 will increase the savings ratio. — Over the three years 1986-1988, private consumption increased strongly (on average 3.8 % annually). In 1989 and 1990, as already happened in 1988, investment is expected to take the lead while private consumption is only expected to grow by less than 3 % annually. This slowdown is explained by various factors.

GRAPH 5: **Real GDP growth**GRAPH 6: **Real domestic demand growth**

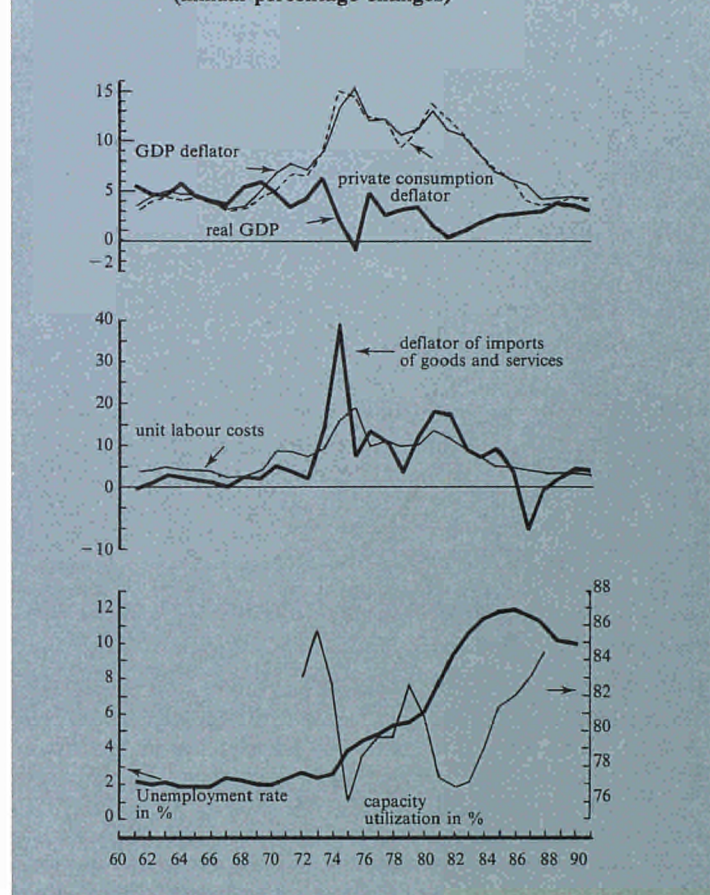
Between 1986 and 1988, the real value of households' disposable income was boosted by lower than expected rates of increase in consumer prices arising from weak import prices. This was mostly due to the knock on effects of the fall in oil prices. Nominal disposable income had also increased substantially, in spite of wage moderation, because of the good employment performance and some fiscal support. Furthermore, during this period the savings ratio across the Community fell in response to the perceived lasting improvement of the inflationary climate, the better economic situation and to the structural changes which have encouraged consumers to borrow.

In 1989, slightly higher wage rises per head will be partly offset by a somewhat slower rate of increase of employment and result in total wage and nominal disposable income increasing at almost the same rate as in 1988. Real disposable income, on the other hand, will grow by only 2.3 % against 3.4 % in 1988 as consumer price inflation accelerates by over one percentage point. In order to maintain their consumption level, it is expected that households again should draw on their savings. The drop of the savings ratio should peter out in 1989 (at 13.2 %) after a continuous deceleration from its 1985 level (16 %).

In 1990, some reduction in the fiscal burden will support nominal disposable income growth bringing the real disposable income rise to 3.2 %. As it is expected that households will partly use this supplementary income to increase their savings (the ratio should go up to 13.6 %), private consumption in volume terms might increase by 2.8 %.

Growth of real *public consumption* (1.8 % both in 1989 and 1990) is expected to remain below the rate of expansion of output as budgetary consolidation policies continue to be pursued in most Member States.

GRAPH 7: Inflation in the Community;
factors influencing inflation
(annual percentage changes)



Inflation is accelerating for external and internal reasons. — Until mid-1988, the most remarkable feature of the economic performance of the Community in the 1980s was the continuing disinflationary process together with the recovery of output growth. Inflation (measured by the deflator of private consumption) came down from a Community average of 13.5 % in 1980 to 3.4 % in 1987.

There are three main reasons for this. 1) The consensus on wage moderation has resulted in much lower increases of unit labour costs (+3.7 % in 1987 against +12.1 % in 1980). 2) A significant drop in import price increases resulting from the combined effect of the oil price drop and the dollar depreciation (prices actually decreased in 1986 and 1987 against increases of 16.0 % in 1980). 3) Monetary policies oriented towards price stability.

In the course of 1988, signs appeared that the disinflation process was coming to an end and might even be reversed, with firmer import prices and high demand resulting in sharp increases in the rate of capacity utilization. In 1988, for the first time since 1980, the deflators of private consumption (+3.6 %) and GDP (+4.3 %) actually increased marginally.

TABLE 11: **Public consumption, volume** (percentage change on preceding year 1961-90) *

	1961-73	1974-81	1982-86	1987	1988	1989	1990
B	5,5	3,1	0,6	0,3	0,3	0,3	0,2
DK	5,8	3,9	1,3	1,6	-0,1	-1,0	-0,3
D	3,8	2,0	0,9	1,3	1,8	1,0	1,6
GR	6,2	6,4	2,2	1,3	6,5	4,0	2,5
E	4,5	5,1	4,4	8,7	5,0	4,5	4,0
F	4,0	3,2	2,4	2,4	1,9	2,4	2,3
IRL	5,0	4,8	0,8	-3,3	-4,3	-3,0	-1,5
I	4,1	2,5	3,0	3,4	3,0	2,9	3,1
L	4,0	2,7	2,0	3,6	1,5	1,5	1,5
NL	2,8	2,9	0,9	0,9	0,1	0,0	0,0
P	8,3	8,3	2,0	1,7	4,3	2,0	2,0
UK	2,5	1,7	1,1	0,9	0,5	0,9	0,7
EUR	3,7	2,7	1,9	2,3	1,9	1,8	1,8
USA	3,1	1,5	4,1	2,6	0,3	2,9	-0,2
JAP	5,8	4,5	3,2	-0,5	2,1	2,1	2,4

TABLE 12: **Deflator of private consumption** (percentage change on preceding year, 1961-90) *

	1961-73	1974-81	1982-86	1987	1988	1989	1990
B	3,7	7,8	5,2	2,2	1,2	3,0	3,2
DK	6,6	11,0	6,3	4,1	5,1	4,3	2,9
D	3,6	5,0	2,4	0,7	1,3	3,0	2,9
GR	3,5	16,8	19,4	15,7	13,5	14,6	14,3
E	6,6	17,5	10,9	5,4	5,1	6,1	6,0
F	4,8	11,5	7,4	3,1	2,7	3,3	2,7
IRL	6,0	16,6	8,1	3,1	2,2	3,8	3,2
I	4,8	17,6	11,5	4,8	4,9	6,6	6,3
L	3,0	7,5	6,2	2,9	1,4	2,5	3,0
NL	5,0	7,1	2,5	-0,3	0,8	1,7	2,0
P	3,4	21,7	21,5	10,2	9,6	12,3	10,0
UK	4,8	15,1	5,7	3,9	5,0	5,8	5,3
EUR	4,6	12,3	7,2	3,4	3,6	4,8	4,5
USA	3,1	8,4	3,7	4,2	4,2	4,7	4,3
JAP	6,1	8,4	1,8	-0,1	0,0	3,1	3,0

TABLE 13: **Compensation of employees per head** (percentage change on preceding year, 1961-90) *

	1961-73	1974-81	1982-86	1987	1988	1989	1990
B	8,9	10,9	5,8	0,9	2,4	5,2	5,3
DK	10,7	11,4	7,0	8,2	2,3	2,9	2,9
D	9,2	7,1	3,7	2,9	3,1	2,9	3,5
GR	10,2	21,2	21,5	11,7	17,2	18,0	16,0
E	14,6	21,2	11,3	6,4	6,4	7,2	7,1
F	9,9	14,9	8,6	3,7	3,6	3,7	3,6
IRL	11,3	19,3	10,1	6,0	4,0	4,8	4,6
I	11,6	20,5	12,3	9,0	8,8	8,1	8,7
L	7,4	10,7	5,9	3,9	3,3	6,0	5,1
NL	11,4	8,7	2,5	1,3	1,5	1,9	2,0
P	12,0	25,4	21,5	13,6	10,6	12,4	11,9
UK	8,3	17,1	7,3	6,9	8,0	9,2	8,0
EUR	10,0	14,9	8,3	5,5	5,6	6,0	6,0

TABLE 14: **Real GDP per occupied person** (percentage change on preceding year, 1961-90) *

	1961-73	1974-81	1982-86	1987	1988	1989	1990
B	4,3	2,2	1,5	1,7	2,5	2,7	2,5
DK	3,2	1,1	1,9	-2,1	0,0	1,3	1,3
D	4,1	2,3	1,9	1,2	2,9	1,9	2,0
GR	8,2	1,7	1,2	-0,3	2,4	2,2	2,0
E	6,5	3,3	2,7	0,1	2,0	1,9	2,0
F	4,7	2,3	1,9	2,1	2,5	2,4	2,3
IRL	4,3	3,3	2,7	4,1	3,8	3,1	3,2
I	5,7	1,9	1,4	2,9	2,6	2,3	2,1
L	3,1	0,6	3,0	-0,3	2,0	1,6	1,7
NL	3,9	1,9	1,8	0,2	1,6	2,3	2,2
P	7,4	3,1	3,1	1,9	1,4	3,0	3,0
UK	2,9	1,1	2,6	1,9	0,5	0,8	1,2
EUR	4,5	2,0	2,0	1,6	2,0	1,9	2,0
USA	2,0	0,2	1,3	0,7	1,6	0,7	1,2
JAP	8,2	3,1	2,7	3,3	4,0	3,0	2,6

* Notes: see page 13.

TABLE 15: Unit labour cost, whole economy¹ (percentage change on preceding year, 1961-90)*

	1961-73	1974-81	1982-86	1987	1988	1989	1990
B	4.5	8.5	4.3	-0.8	-0.2	2.4	2.8
DK	7.3	10.2	5.0	10.6	1.5	1.6	1.8
D	4.8	4.7	1.7	1.7	0.1	1.0	1.5
GR	1.9	19.2	20.1	12.0	14.5	15.4	13.8
E	7.7	17.3	8.4	6.2	4.3	5.2	5.0
F	4.9	12.4	6.5	1.6	1.0	1.3	1.3
IRL	6.7	15.4	7.2	1.9	0.2	1.7	1.4
I	5.6	18.3	10.8	5.9	6.1	5.7	6.3
L	4.1	10.1	2.9	4.1	0.9	4.2	3.2
NL	7.1	6.7	0.7	1.1	-0.0	-0.4	-0.2
P	4.3	21.6	17.9	11.4	9.1	9.1	8.6
UK	5.3	15.8	4.6	5.0	7.5	8.3	6.7
EUR	5.2	12.6	6.1	3.8	3.4	4.0	3.9

¹ Compensation of employees per head divided by labour productivity per head, defined as GDP in volume divided by total employment.

TABLE 16: Real unit labour costs¹ (indices 1980 = 100)*

	1961-70	1975	1979	1981	1988	1989	1990
B	87.5	96.8	98.8	100.5	92.5	91.1	90.6
DK	98.3	102.7	98.4	98.8	96.3	93.8	92.2
D	96.1	102.6	98.3	100.3	94.0	92.7	91.5
GR	104.4	91.7	101.8	106.3	102.7	103.8	103.6
E	95.7	100.8	101.7	100.5	88.8	87.6	86.4
F	93.4	98.9	98.1	100.8	93.2	91.6	90.2
IRL	96.2	100.3	96.7	96.5	89.6	88.4	85.8
I	94.4	105.5	101.5	102.2	89.1	88.2	87.5
L	84.1	101.4	99.1	102.1	95.8	95.1	97.5
NL	93.9	103.3	100.3	97.3	91.1	89.7	88.0
P	84.7	120.4	101.0	102.3	85.2	83.3	81.3
UK	98.4	108.3	98.3	99.4	96.2	97.0	98.3
EUR	96.4	103.5	99.4	100.6	94.5	93.7	93.0
USA	96.9	98.2	99.0	98.6	98.4	99.0	99.4
JAP	92.8	104.1	101.1	100.2	97.5	97.1	95.6

¹ Nominal unit labour costs divided by GDP deflator.

TABLE 17: World export prices¹*

	Percentage change on preceding year					
	1985	1986	1987	1988	1989	1990
Fuels	-2.4	-46.9	19.0	-15.6	9.2	-1.7
Other primary commodities	-10.5	5.1	7.0	20.2	3.7	1.3
Manufactures	-1.2	17.4	11.6	6.4	1.4	4.6

¹ Based on export prices in US dollars.

Source: United Nations and forecasts by Commission services.

* Notes: see page 13.

In 1989 inflation has made a comeback as a major policy concern. The deflator of private consumption is now expected to accelerate to 4.8 % on average for the year, and the GDP deflator to 4.9 %. In 1990, inflation is not expected to accelerate further as import prices soften and the anti-inflationary measures taken in many countries start having an effect.

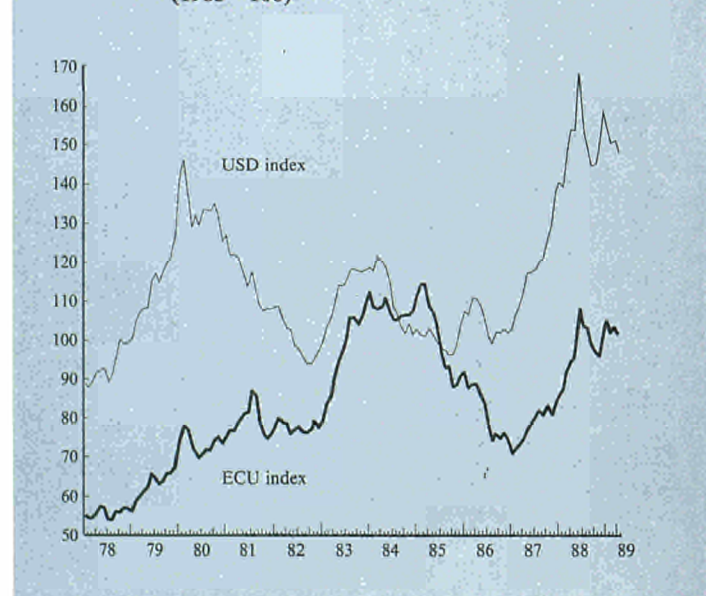
The reappearance of inflation is the major potential threat to the continuation of sustained growth. Three factors underlie the current acceleration of inflation: a large amount of liquidity has been building up during recent years; import prices have rebounded and indirect taxes have been raised; these mechanical influences might spill over into wage increases and foster higher inflationary expectations.

In 1989, there will be a substantial increase in the *price of imported goods and services*, due to developments in raw material prices and to variations in exchange rates. The recent increase of import prices, however, has been a rebound to more normal levels rather than a real explosion. In 1989, the increase in import prices could mechanically contribute about three quarters of a point to the increase of the price deflator of total final uses. Roughly half of this contribution stems from an increase in import prices as expressed in USD and half from the combination of the recent strength of the dollar and the assumption of stability at present levels which is used in this forecast. (On this assumption, in 1989 European currencies will depreciate by around 6 % vis-à-vis the dollar compared with 1988). Given the assumption of stable exchange rates, the rise in import prices in 1990 would be entirely due to higher import prices in USD.

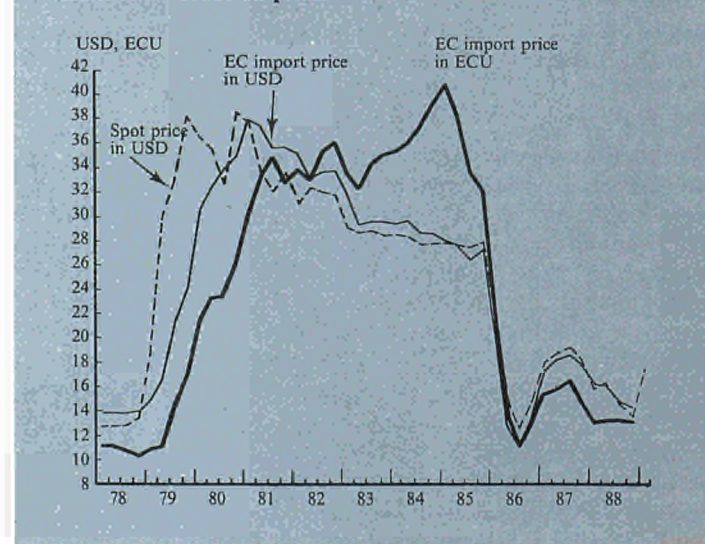
At present, there is another mechanical channel through which price developments show an upward movement, namely *indirect taxes*. Some countries (Germany, Italy, Belgium, Greece) have recently introduced indirect tax increases which are making a moderate contribution to the acceleration of inflation in 1989. Admittedly, increases in indirect taxes have a once and for all impact on price levels. But the risk is that, given the abundant liquidity noted above, an acceleration of inflation, whatever its origin, feeds through into inflationary expectations and wage increases. This can lead to a higher rate of inflation.

Over the forecast period, the rate of increase of wages per head will accelerate somewhat (around 6 % in both years against 5.6 % in 1988). This movement will be reflected in the rate of increase of *unit labour costs*, which is expected to rise from +3.4 % in 1988 to +4.0 % in 1989 and +3.9 % in 1990. Despite this acceleration, the rate of increase of unit labour costs for the EC as a whole is expected to remain relatively moderate and below the rate of the 1960s (a period with similar price increases).

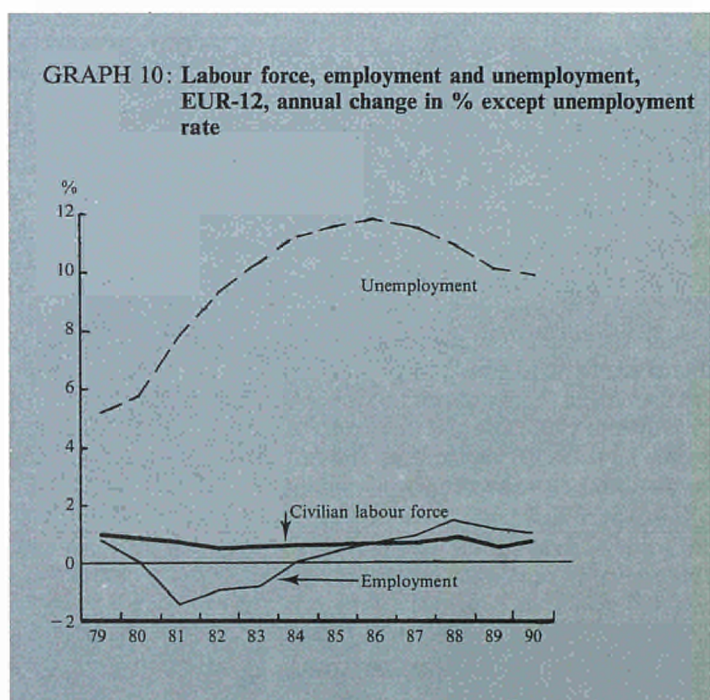
GRAPH 8: Non-oil commodity price indices in Ecus and US dollars (1985 = 100)



GRAPH 9: Crude oil prices



The *utilization of capacity* in manufacturing industry, according to the most recent results of the quarterly business survey, has almost reached the value of the cyclical peak of 1973. The previous peaks in the rate of capacity utilization have always preceded peaks in inflation. This time, however, there are signs which tend to disprove that capacity constraints might again be at the origin of runaway inflation. The present situation contrasts sharply with that of 1973 and 1979. In those years, a high degree of capacity utilization went hand in hand with a very low incentive to invest: capital profitability was decreasing (in 1973) or relatively low (in 1979) and the business outlook poor. As a result, serious capacity constraints appeared which made a significant contribution to inflation. In 1989, the high degree of capacity utilization is accompanied by an improved profitability of capital which, combined with a sounder economic environment, explains why the rate of growth of (capital widening) investment is high and is expected to remain so.



The *liquidity ratio* (money supply relative to nominal GDP) for the Community as a whole, has expanded strongly since 1985 and in 1987 it accelerated further as a consequence of the exchange market intervention to support the dollar. The creation of liquidity is a necessary condition for the inflation process. The large amount of liquidity which has been created calls for vigilance. Monetary conditions have been tightened since mid-1988 and a considerable slowdown in the rate of increase of the liquidity ratio is now expected.

Employment creation reaches record levels, but unemployment is still high. — The job creation content of economic growth has increased considerably compared to the 1960s and 1970s and during the forecast period employment should continue to increase by at least 1 % in each year following on the record 1.5 % of 1988. The years 1986 to 1990, with an increase of more than 6 million new jobs, should therefore be the best ever five-year-period of employment creation in the Community. 1.1 million net new jobs were created in the Community in 1987 and almost 2 million in 1988. Another two and three quarter million should be added in 1989 and 1990.

A given rate of growth is now creating more employment than was the case in the past. This is linked to several factors. The relative cost of labour has come down and this has been accompanied by a slowdown in the substitution of capital for labour. The service sector, where a lower increase in labour productivity is typically observed, has increased its weight in the economy. The reduction in individual working time must also have played a role. But the single most important factor is certainly the greater employer flexibility in the labour market

TABLE 18: **Total employment** (percentage change on preceding year, 1961-90)*

	1961-73	1974-81	1982-86	1987	1988	1989	1990
B	0,6	-0,2	-0,1	0,4	1,4	0,8	0,4
DK	1,1	0,2	1,5	1,1	-0,3	-0,2	0,4
D	0,2	-0,4	-0,3	0,7	0,6	1,0	1,0
GR	-0,5	1,3	0,4	-0,1	1,1	0,7	0,6
E	0,7	-1,5	-0,6	5,4	2,9	2,6	2,1
F	0,7	0,2	-0,3	0,1	0,7	0,7	0,8
IRL	0,1	0,9	-1,2	0,0	0,0	1,0	0,8
I	-0,4	0,7	0,7	0,2	1,3	1,1	0,8
L	1,1	0,6	0,8	2,7	2,9	1,6	1,1
NL	0,9	0,1	-0,2	1,2	1,0	1,0	0,8
P	-0,5	-0,1	-1,5	2,7	2,6	1,2	0,9
UK	0,3	-0,4	0,2	1,9	3,1	1,6	0,9
EUR	0,3	-0,1	-0,0	1,2	1,5	1,2	1,0
USA	1,9	1,9	1,7	2,9	2,3	1,9	0,5
JAP	1,3	0,6	0,9	1,0	1,7	1,3	1,0

TABLE 19: **Employment in manufacturing industries** (percentage change on preceding year, 1974-90)*

	1974-81	1982-85	1986	1987	1988	1989	1990
B	-3,4	-2,0	-1,3	-1,2	-0,9	-0,1	-0,7
DK	-2,3	2,1	3,2	-3,8	-2,4	1,0	2,1
D	-1,4	-1,9	1,5	-0,1	-0,1	0,4	0,4
GR	—	—	—	—	1,0	0,7	0,5
E	—	—	—	—	1,5	1,4	1,0
F	-1,3	-2,3	-2,3	-2,7	-0,9	-0,1	0,0
IRL	0,9	-3,6	0,5	-2,5	0,5	1,0	1,0
I	-0,4	-3,0	-0,9	-1,4	1,5	1,1	0,7
L	-2,1	-2,0	0,4	-0,3	0,5	0,3	0,5
NL	-2,2	-2,0	1,6	0,7	0,0	0,7	0,7
P	—	—	—	—	3,3	1,2	0,9
UK	-2,7	-3,8	-2,3	1,0	1,5	-0,1	-1,2
EUR	-1,6 ¹	-2,5 ¹	-0,9 ¹	-1,1 ¹	0,7	0,5	0,2

¹ EUR-9.

TABLE 20: **Number of unemployed as percentage of civilian labour force** (1961-90)*

	1961-73	1974-81	1982-86	1987	1988	1989	1990
B	2,2	7,4	13,6	12,3	11,2	10,3	9,9
DK	1,1	5,9	9,1	7,6	8,4	9,1	9,3
D	0,8	3,7	8,0	8,1	8,1	7,2	7,1
GR	—	—	—	7,4	7,3	7,2	7,3
E	—	5,8	17,7	20,5	19,5	18,3	17,5
F	1,1	5,1	9,8	10,8	10,6	10,5	10,3
IRL	4,8	8,4	16,0	19,0	18,6	18,0	17,5
I	5,2	6,2	11,9	14,0	15,0	14,5	14,1
L	0,0	0,5	1,6	1,7	1,6	1,4	1,4
NL¹	1,3	5,7	13,2	7,6	7,3	6,9	6,6
P	—	5,1	6,8	7,2	5,8	5,6	5,6
UK	2,1	5,1	11,6	10,7	8,7	6,8	6,5
EUR 12¹	—	5,1	10,9	11,4	11,0	10,2	9,9
EUR 9¹	2,2	5,1	10,6	10,7	10,3	9,5	9,3
USA	4,9	6,9	8,2	6,2	5,5	5,4	6,1
JAP	1,3	2,0	2,6	2,8	2,5	2,6	2,7

¹ Rupture in the series for the Netherlands in 1987.

TABLE 21: **Trade balance total (fob/cif)*** (in billions of ecus)

	1961-73	1974-81	1982-86	1987	1988	1989	1990
B	-0,1	-3,1	-3,7	-0,2	-0,1	-1,1	-1,2
DK	-0,7	-2,2	-1,1	0,2	1,3	1,5	1,9
D	3,6	11,9	30,1	56,9	61,7	67,5	73,2
GR	-0,9	-3,4	-6,2	-5,4	-5,8	-6,8	-7,2
E	-1,9	-7,2	-7,7	-12,9	-17,1	-23,3	-28,5
F	-0,8	-8,2	-15,0	-12,6	-12,8	-15,6	-15,7
IRL	-0,4	-1,3	-0,2	2,0	2,9	3,2	3,6
I	-1,3	-6,8	-10,7	-7,4	-8,4	-12,0	-15,1
L¹	—	—	—	—	—	—	—
NL	-1,0	-0,8	4,2	1,4	3,1	2,1	3,0
P	-0,5	-2,7	-3,6	-4,0	-5,5	-7,1	-7,9
UK	-2,7	-6,6	-11,8	-20,3	-37,6	-39,7	-39,0
EUR	-6,6	-30,3	-25,5	-2,4	-18,3	-31,3	-33,1

¹ Included in the figures for Belgium

* Notes: see page 13.

TABLE 22: **Exports of goods, volume** (percentage change on preceding year, 1961-90) *

	1961-73	1974-81	1982-86	1987	1988	1989	1990
B	10,2	2,2	3,5	5,5	9,6	7,9	6,1
DK	6,8	4,7	3,9	3,0	5,8	5,2	4,8
D	8,0	4,7	3,6	1,2	6,1	7,5	6,8
GR	11,9	5,5	10,2	1,9	6,1	4,6	4,3
E	—	8,9	5,8	5,8	8,0	6,1	5,5
F	10,0	5,2	1,9	3,4	7,4	6,9	6,4
IRL	8,1	7,9	9,0	13,5	10,8	6,6	8,4
I	11,8	7,3	3,5	3,0	5,9	6,0	5,0
L	5,5	-0,8	7,8	6,1	9,0	5,9	4,7
NL	10,3	2,7	4,0	3,8	8,6	6,6	5,6
P	—	—	—	11,1	7,8	9,0	7,5
UK	5,0	3,5	4,5	5,2	-0,6	3,5	7,1
EUR	8,8 ¹	4,8 ²	3,9 ²	3,6	5,8	6,3	6,2
USA	6,7 ³	5,1	0,9	15,0	21,9	10,4	8,8
JAP	—	—	1,9	0,4	4,4	6,1	5,9

¹ Total excluding Spain and Portugal.² Total excluding Portugal.³ USA: average 1964-73.TABLE 23: **Trade balance intra-EC (fob/cif) ***
(in billions of ecus)

	1961-73	1974-81	1982-86	1987	1988	1989	1990
B	0,5	0,6	0,6	1,2	0,7	-0,3	-1,0
DK	-0,3	-1,2	-1,3	-0,7	-0,2	-0,1	-0,1
D	1,4	4,4	10,8	30,1	38,9	46,1	54,8
GR	-0,5	-1,4	-2,8	-3,2	-3,5	-4,0	-4,3
E	-0,7	-0,7	1,1	-4,3	-6,7	-10,3	-13,3
F	-0,1	-3,0	-14,0	-8,5	-6,1	-6,0	-6,7
IRL	-0,2	-0,8	-0,4	2,4	3,8	4,6	5,3
I	0,0	-0,7	-3,3	-4,8	-5,3	-4,1	-5,4
L¹	—	—	—	—	—	—	—
NL	0,2	6,5	17,1	9,5	11,3	12,7	14,1
P	-0,3	-1,0	-0,8	-2,0	-3,2	-4,0	-4,5
UK	-0,4	-1,4	-5,2	-14,5	-22,4	-24,5	-21,2
EUR	-0,4	1,3	1,9	5,2	7,4	9,9	17,6

¹ Included in the figures for Belgium.TABLE 24: **Trade balance Extra-EC (fob/cif) ***
(in billions of ecus)

	1961-73	1974-81	1982-86	1987	1988	1989	1990
B	-0,6	-3,8	-4,7	-1,5	-0,9	-0,7	-0,3
DK	-0,3	-1,0	0,2	1,0	1,5	1,7	2,0
D	2,2	7,4	18,7	26,8	22,7	21,4	18,5
GR	-0,4	-2,0	-3,4	-2,2	-2,3	-2,8	-2,9
E	-1,2	-6,5	-8,9	-8,6	-10,4	-13,0	-15,2
F	-0,7	-5,2	-0,9	-4,1	-6,7	-9,6	-9,0
IRL	-0,2	-0,5	0,1	-0,4	-0,8	-1,3	-1,6
I	-1,3	-6,3	-8,1	-2,6	-3,1	-7,9	-9,8
L¹	—	—	—	—	—	—	—
NL	-1,2	-7,6	-14,1	-8,1	-8,2	-10,6	-11,0
P	-0,2	-1,7	-2,8	-2,0	-2,4	-3,1	-3,5
UK	-2,3	-5,3	-6,6	-5,8	-15,2	-15,2	-17,8
EUR	-6,3	-32,4	-30,5	-7,6	-25,7	-41,2	-50,7

¹ Included in the figures for Belgium.TABLE 25: **Balance on current account** (as percentage of GDP, 1961-90) *

	1961-73	1974-81	1982-86	1987	1988	1989	1990
B	1,1	-1,6	-0,4	1,2	1,0	0,4	0,5
DK	-2,0	-3,5	-4,0	-3,0	-1,7	-1,7	-1,4
D	0,7	0,5	1,9	3,9	4,1	4,3	4,4
GR	-2,9	-1,7	-5,4	-2,5	-1,9	-2,1	-1,5
E	-0,2	-2,0	0,1	0,1	-1,1	-2,5	-3,4
F	0,4	-0,1	-0,5	-0,4	-0,3	-0,5	-0,4
IRL	-2,5	-8,6	-6,0	1,4	2,1	1,8	1,9
I	1,5	-0,7	-0,5	-0,1	-0,6	-1,0	-1,1
L	6,8	20,8	39,3	33,0	31,6	27,9	25,6
NL	0,5	1,0	3,5	1,6	2,4	1,6	1,7
P	0,4	-6,8	-4,2	1,8	-1,4	-3,9	-4,8
UK	-0,1	-0,4	0,4	-1,6	-3,2	-3,3	-2,9
EUR	0,4	-0,3	0,4	0,8	0,4	0,0	0,0
USA	0,5	0,3	-2,0	-3,6	-2,8	-2,4	-2,1
JAP	0,6	0,2	2,7	3,7	2,8	2,7	2,7

* Notes: see page 13.

TABLE 26: **Imports of goods, volume** (percentage change on preceding year, 1961-90) *

	1961-73	1974-81	1982-86	1987	1988	1989	1990
B	9,3	1,9	2,9	8,4	9,6	8,3	6,4
DK	7,9	-0,2	5,3	-3,0	-0,1	1,6	3,5
D	8,8	4,0	3,4	5,4	7,1	6,0	7,0
GR	12,7	0,4	9,9	10,8	7,9	7,7	4,9
E	—	1,7	4,9	22,1	14,5	13,0	9,9
F	11,3	2,4	2,9	7,5	7,8	5,7	5,7
IRL	9,2	4,5	3,9	3,9	3,9	7,4	8,1
I	10,4	3,9	3,5	10,0	7,2	7,0	7,0
L	6,1	1,1	5,5	7,0	7,0	5,7	4,1
NL	9,4	1,3	4,3	5,9	8,3	6,8	4,5
P	—	—	—	28,3	17,7	12,0	8,5
UK	5,2	0,3	7,1	6,9	12,8	7,0	4,2
EUR	9,0 ¹	2,3 ²	5,5 ²	8,1	9,1	7,2	6,2
USA	9,4 ³	2,2	17,2	6,5	7,0	4,4	4,0
JAP	—	—	4,7	9,1	16,7	7,6	6,2

¹ Total excluding Spain and Portugal.² Total excluding Portugal.³ USA: average 1964-73.

resulting in a growing supply of part-time jobs. During the forecast period, as in 1988, manufacturing industry is expected to show an increase in employment (0.5 % in 1989 and 0.2 % in 1990), after many years of continued reduction.

However, this remarkable job creation performance is only making a small dent in the very high unemployment figure which will still be at around 10 % in 1990. This is more than one and a half point below the peak of 1986 (11.7 %) and corresponds roughly to the 1982/1983 level.

The divergence between the performance of employment and the slow reduction of unemployment is explained both by the recent increase in the participation rate and by the continuing increase of the population of working age. As a result, of the some two and three quarter million jobs which should be created in 1989 and 1990, one and three quarter million will be absorbed by the increase in labour force and only around one million will be available to reduce unemployment.

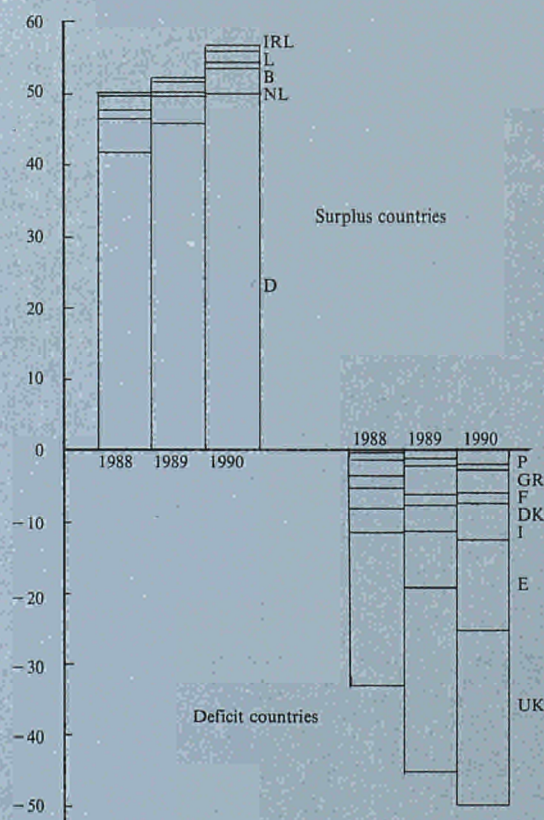
GRAPH 11: **Balance on current account in ECU billions**

TABLE 27: **Gross national product at current market prices** (percentage change on preceding year, 1961-90)*

	1961-73	1974-81	1982-86	1987	1988	1989	1990
B	9,2	9,1	6,8	4,3	5,4	6,5	6,5
DK	11,6	11,0	10,1	3,9	4,8	4,0	4,4
D	8,9	6,7	4,7	3,9	5,0	5,3	5,9
GR	12,5	19,8	21,0	15,5	17,6	19,0	18,0
E	14,8	19,0	13,5	12,0	10,6	11,5	10,8
F	10,7	13,8	9,6	5,0	6,2	6,0	5,9
IRL	11,7	18,9	8,8	7,5	2,8	9,1	7,0
I	11,0	20,7	14,0	9,0	10,2	10,1	10,0
L	9,0	10,5	11,1	-0,2	5,2	3,0	3,8
NL	11,1	8,9	4,0	0,6	3,8	4,8	4,9
P	11,2	22,5	24,2	18,4	16,5	17,3	15,8
UK	8,5	16,6	8,2	8,6	10,5	10,2	8,1
EUR	10,1	12,2	7,4	5,2	7,7	8,5	7,5
USA	7,7	10,6	6,7	6,5	7,5	7,3	6,0
JAP	16,2	10,9	5,2	4,1	6,2	7,4	6,9

The Community's external surplus falls while internal imbalances widen. — The external position of the Community should continue to deteriorate somewhat in nominal terms in 1989 and stabilize in 1990, as was expected in the previous forecasts. The trade balance (fob/fob) in 1990 could be in surplus by just 0.3 % of GDP, roughly half the level of 1988. The *current account* should be broadly in balance for the EC as a whole in both 1989 and 1990.

It must be emphasized once again that these projections depend strongly on the technical assumptions of the forecast. On these assumptions (real stability of exchange rates on the present levels among the three largest economic areas, which implies a substantial average depreciation of the European currencies against the dollar in 1989 compared with 1988, and a significant strengthening of import prices), the terms of trade for the Community should remain stable in 1989 (after having improved by more than one point in 1988) and improve again marginally in 1990.

The present forecast confirms the worry that was expressed in the last forecast as current account imbalances within the Community continue to increase. The main elements behind this growing divergence are the increasing surplus of the F.R. of Germany and higher deficits in the UK, Portugal (partially the result of an outturn for 1988 that was worse than previously estimated) and Spain.

Public deficits are coming down in the Community, but the divergence in the positions of the Member States is widening. — At the Community level, the *general government borrowing requirement* as a percentage of GDP is forecast to continue to decrease in 1989 reaching 3.0 % (against 4.2 % in 1987 and 3.6 % in 1988) and is expected to increase marginally in 1990 (to 3.2 %). This is essentially due to public expenditure growing less than nominal GDP in both forecast years. Government receipts on the other hand, should grow in line with GDP in 1989, while in 1990 there will be some reduction of the fiscal burden on the EC average and receipts should grow less than GDP.

However, this generally positive picture masks the fact that developments in the Member States continue to show marked differences. By and large, the consolidation efforts are producing significant results in the countries where the budgetary situation is less worrying, but there is a striking absence of progress where this is most needed (namely in GR, I, P and B).

The Community's external environment: continuing world growth and trade expansion, inflationary risks and growing dangers from international imbalances. — In 1989 real GDP in the *OECD region* will increase by 3 %, one percentage point less than in 1988, but not substantially different from the rate projected in January 1989: the downward revision for the USA being compensated by a somewhat stronger growth in the Community and in Japan. In 1990, GDP growth in the OECD region is expected to decelerate further to around 2 ½ %.

TABLE 28: **General government lending or borrowing (-)** (as a percentage of GDP, 1974-90)*

	1974-81	1982-85	1986	1987	1988	1989	1990
B	-6,6	-10,0	-8,8	-7,0	-6,5	-6,2	-6,2
DK	-1,4	-5,6	3,1	1,8	0,4	0,5	1,1
D	-3,0	-2,2	-1,3	-1,8	-2,0	-0,3	-0,9
GR	—	-9,9	-10,8	-10,0	-14,3	-14,5	-14,2
E	-1,3	-5,7	-5,7	-3,6	-3,2	-3,0	-2,8
F	-1,0	-2,9	-2,9	-2,5	-1,6	-1,7	-1,6
IRL	-10,5	-11,5	-11,0	-8,9	-3,4	-4,6	-4,2
I	-8,4	-11,5	-11,4	-10,5	-10,6	-10,4	-10,9
L	1,4	2,3	6,0	5,2	2,6	2,5	2,6
NL	-2,9	-6,2	-5,9	-6,2	-5,0	-4,5	-4,7
P	—	-10,4	-7,8	-6,9	-6,6	-6,3	-6,3
UK	-3,8	-3,1	-2,4	-1,4	0,8	1,7	1,8
EUR	-3,7 ¹	-5,3	-4,8	-4,2	-3,6	-3,0	-3,2
USA	-1,4	-4,2	-4,4	-2,3	-1,8	-1,8	-1,7
JAP	-3,5	-2,6	-1,1	-0,3	0,5	0,4	0,4

¹ EUR without Greece and Portugal.

TABLE 29: **Total public receipts** (as percentage of GDP, 1974-90)*

	1974-81	1982-85	1986	1987	1988	1989	1990
B	43,0	46,7	46,3	46,5	45,8	45,2	44,4
DK	49,9	54,9	58,9	60,1	60,3	60,6	60,1
D	44,8	46,1	45,6	45,1	44,5	45,4	43,9
GR	29,0	33,5	35,3	37,0	35,7	35,5	35,5
E	27,3	33,7	36,5	37,6	37,3	37,4	37,4
F	43,4	48,6	48,8	49,3	49,0	48,7	48,3
IRL	35,7	41,5	42,1	42,5	44,7	40,3	38,5
I	30,4	37,4	39,0	39,6	40,2	40,9	40,1
L	51,8	55,4	55,7	56,0	54,7	54,5	54,3
NL	50,9	54,8	53,6	54,6	54,3	52,4	51,7
P	—	34,6	37,5	35,7	35,5	35,1	34,6
UK	39,2	41,7	40,5	39,8	39,5	38,9	38,5
EUR	39,5 ¹	43,3	43,6	43,7	43,5	43,5	42,8

¹ EUR without Greece and Portugal

TABLE 30: **Total public expenditure** (as percentage of GDP, 1974-90)*

	1974-81	1982-85	1986	1987	1988	1989	1990
B	49,7	56,7	55,1	53,5	52,4	51,4	50,6
DK	51,3	60,5	55,8	58,3	59,9	60,1	59,0
D	47,9	48,3	46,9	46,9	46,5	45,7	44,8
GR	—	43,4	46,1	47,1	50,0	49,9	49,7
E	28,6	39,4	42,3	41,2	40,5	40,4	40,2
F	44,4	51,4	51,7	51,8	50,7	50,4	49,9
IRL	46,3	53,1	53,0	51,4	48,1	44,9	42,7
I	38,8	48,9	50,5	50,0	50,8	51,3	51,1
L	50,3	53,1	49,7	50,8	52,2	52,1	51,7
NL	53,8	60,9	59,4	60,8	59,3	56,9	56,5
P	—	45,0	45,3	42,6	42,1	41,5	40,9
UK	43,0	44,8	42,9	41,2	38,7	37,1	36,6
EUR	43,2 ¹	48,6	48,4	47,9	47,1	46,5	46,0

¹ EUR without Greece and Portugal

TABLE 31: **World GDP/GNP** (at constant prices)*

	Percentage change on preceding year					
	1985	1986	1987	1988	1989	1990
EUR	2,5	2,6	2,8	3,6	3,2	2,9
USA	3,8	3,0	3,6	3,9	2,6	1,7
Canada	4,6	3,2	4,0	4,6	3,0	2,3
Japan	4,7	2,4	4,3	5,7	4,3	3,6
Other OECD	2,6	2,6	3,1	2,9	2,9	2,4
OECD total	3,2	2,7	3,3	4,0	3,1	2,6
OPEC	-0,4	-0,9	0,0	1,9	2,0	2,9
Other developing countries	4,5	4,6	4,4	5,1	4,3	4,7
of which: Asian NICs	3,6	10,2	11,8	9,3	7,0	6,7
Other NICs	2,2	5,4	2,8	1,5	2,3	2,8
Other LDCs	5,8	3,3	4,0	6,3	4,8	5,2
CPE	3,3	4,2	1,5	3,0	3,0	2,5
World	3,3	3,1	3,1	4,0	3,3	2,9
World excluding EUR	3,6	3,2	3,2	4,1	3,3	3,0

* Notes: see page 13.

TABLE 32: World imports of goods (at constant prices) *

	Percentage change on preceding year					
	1985	1986	1987	1988	1989	1990
EUR	5,5	6,8	8,0	9,1	7,2	6,2
USA	5,1	12,1	6,5	7,0	4,4	4,0
Canada	6,6	5,3	7,5	13,9	4,4	3,5
Japan	0,7	9,8	8,5	16,7	7,6	6,2
Other OECD	6,9	5,2	5,0	6,7	5,8	5,1
OECD total	5,2	8,0	7,3	9,2	6,3	5,4
OPEC	-15,1	-21,2	-13,4	-1,0	3,0	3,0
Other developing countries	3,4	0,5	7,8	13,6	9,7	9,1
of which: Asian NICs	2,3	17,5	24,2	22,0	16,0	14,0
Other NICs	-6,0	11,8	8,4	6,4	3,5	4,6
Other LDCs	8,1	-14,1	-6,5	8,0	5,0	4,6
CPE	3,0	-2,1	-3,0	8,0	6,5	5,0
World	3,5	4,7	6,2	9,6	6,8	6,0
World excluding EUR	2,3	3,5	5,0	9,8	6,5	5,9

TABLE 33: World balances of current account (in billions of US dollars) *

	1985	1986	1987	1988	1989	1990
EUR	19,3	50,7	38,3	18,0	2,0	2,1
USA	-115,2	-138,8	-154,0	-135,3	-123,7	-117,3
Canada	-1,4	-7,5	-8,0	-9,2	-14,0	-13,8
Japan	49,2	85,8	87,0	79,4	80,6	87,9
Other OECD	-4,8	-13,1	-13,5	-10,7	-7,5	-6,8
OECD Total	-52,9	-22,9	-50,2	-57,8	-62,6	-47,8
OPEC	2,8	-28,0	-6,6	-16,7	-8,8	-13,4
Other developing countries	-23,3	-9,8	5,9	5,1	-2,7	-9,4
of which: Asian NICs	10,2	22,9	28,1	35,2	37,0	36,9
Other NICs	1,8	-0,4	-1,7	0,2	-1,1	-0,9
Other LDCs	-35,4	-32,3	-20,5	-30,4	-38,6	-45,3
CPE	5,2	9,4	7,7	11,5	10,2	6,9
Errors and omissions	-68,2	-51,3	-43,2	-58,0	-63,9	-63,6

TABLE 34: World trade balances (fob-fob, in billions of US dollars) *

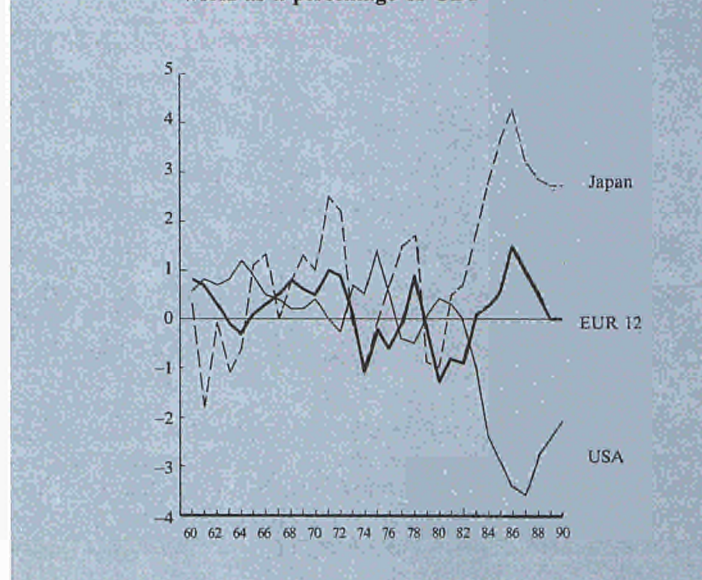
	1985	1986	1987	1988	1989	1990
EUR	6,2	38,0	28,4	20,1	8,2	9,3
USA	-122,2	-144,5	-160,3	-128,1	-108,5	-99,8
Canada	12,6	7,6	8,8	7,8	4,6	6,6
Japan	56,2	93,2	96,5	94,8	99,7	109,9
Other OECD	-2,6	-6,8	-8,2	-9,1	-6,1	-5,3
OECD Total	-49,8	-12,5	-34,8	-14,5	-2,2	20,8
OPEC	56,1	11,5	37,4	27,8	37,7	34,6
Other developing countries	-5,5	2,2	21,0	19,1	15,8	10,1
of which: Asian NICs	8,2	17,7	24,1	28,9	27,2	26,9
Other NICs	18,4	15,5	14,3	18,2	19,9	20,1
Other LDCs	-32,0	-31,1	-17,4	-28,1	-31,3	-36,8
CPE	9,1	12,9	12,3	12,0	11,2	8,1
Errors and omissions	9,9	14,1	35,9	44,3	62,6	73,7

TABLE 35: Trade balances (fob-fob) EC, USA and Japan *

	1985	1986	1987	1988	1989	1990
in % of GDP						
EUR	0,2	1,1	0,7	0,4	0,2	0,2
USA	-3,1	-3,4	-3,6	-2,9	-2,3	-2,0
Japan	4,2	4,7	4,1	3,5	3,5	3,5
in billions of US dollars						
EUR	6,2	38,0	28,4	20,1	8,2	9,3
USA	-122,2	-144,5	-160,3	-128,1	-108,5	-99,8
Japan	56,2	93,2	96,5	94,8	99,7	109,9
in billions of ecu						
EUR	8,2	38,7	24,6	17,0	7,4	8,3
USA	-160,9	-147,1	-139,0	-108,2	-97,3	-88,9
Japan	74,0	94,8	83,6	80,1	89,4	98,0

* Notes: see page 13.

GRAPH 12: Balance on current transactions with rest of the world as a percentage of GDP



In 1988, growth in *non-OPEC developing countries* was slightly more buoyant than expected, in spite of some setbacks, particularly among heavy debtors. The stronger growth is due mainly to the Asian region. It is expected that growth in the non-OPEC developing countries will decelerate in 1989 only to increase again in 1990. South American countries could experience zero to slightly positive growth.

In the *OPEC countries*, growth in 1988 was also higher than expected and should accelerate in 1989 and, in particular, during 1990. In the *European COMECON-countries* growth of GDP showed some acceleration in 1988. These economies continue to be faced with the same problems as in previous years. As the ongoing reform efforts in a number of countries are not expected to lead to substantial results in the immediate future, GDP-growth will remain slow.

World trade (measured by real imports) will reflect real growth tendencies. Its expansion in 1989, somewhat less than 7 %, will show a deceleration from last year of 2 ¾ percentage points. A further deceleration of almost one point is expected in 1990. This picture is broadly similar to that forecast in January. However, the size of the deceleration is somewhat larger. This is explained mainly by the forecast of considerably weaker US imports and by a slightly slower growth of imports in Japan. The Community's exports to the rest of the world will continue to grow, although at a rate which is slightly lower than that of market growth, implying some loss of market share during the forecast period.

The international adjustment process is expected to slow down, particularly in 1990, so that large trade imbalances persist. The EC current account surplus will continue to decline.

USA: Inflation peaks as growth slows down. — In the US real GNP for 1988 rose by 3.9 %. During the seventh year of uninterrupted expansion the strain is now showing. Industrial capacity utilisation is high, unemployment has virtually disappeared and inflation has accelerated considerably.

Growth is projected to be much more moderate in 1989 and 1990. The two driving forces behind the recent expansion, exports and business investment, have already started to decelerate. Monetary policy has been progressively tightened during the past year in order to contain inflation; the restrictive effects on activity have started to become visible in early 1989. Fiscal policy, on the other hand, is assumed not to have a significant contractionary effect, due to further delays in deficit reduction.

The outlook is thus for low but continued growth in the remainder of this year, with inflation peaking in the first half. There could then be a slight pickup in activity in the course of 1990, although the annual GNP figures would still show a slowdown. As a result of weak domestic demand the trade balance should improve further, but in 1990 the current account deficit could still be nearly USD 120 bn.

Japan: growth slows down, but concern about inflation and external imbalances persists. — In 1989, the coincidence of exceptionally favourable external and internal conditions is not expected to continue. Slower growth of exports on the external side appears together with substantially higher wage settlements on the internal side. This reduces the rate of return on fixed capital which - together with somewhat higher long-term interest rates - will cause a considerable deceleration of business investment. Residential construction may even stagnate. The household sector will probably experience lower bonus payments, less overtime, less employment growth and higher consumption prices leading to some deceleration of real private consumption. The Government has been unable to have its budget for FY 1989/90 adopted in time by the Diet. It is, however, expected that the general stance of budgetary policy will remain broadly neutral. If the Yen/USD exchange rate behaves as assumed, the trade and current account surpluses are not expected to decline.

Notwithstanding the expected slowdown, real economic growth will continue at an impressive rate, substantially exceeding 4 %. In 1990 the deceleration will continue in the first half of the year to be followed by a renewed expansion in the second half. This will result in a rate of growth of output of 3.6 %.

Main assumptions. — The main change from the January forecast relates to the *oil price*, which is now expected to average slightly less than USD 16.5 in 1989 and USD 16 in 1990 (import price in the EC). Increased oil producers' cohesion, strong demand from consumers and technical supply problems have pushed crude prices in the first half of 1989 to a considerably higher level than expected in mid-January. On the other hand, market sentiment points to a lowering of prices until the end of 1989 followed by a stabilization in 1990. Future OPEC decisions on output quotas could radically change the outlook. Although large fluctuations in either direction seem unlikely, prices of *non-oil commodities* should, on the whole, show only very modest rises.

As usual, this forecast is based on the technical assumption that exchange rates will remain constant throughout the forecast period. More precisely, the assumption is of a stability in real terms at the levels of end-March 1989 between the US-dollar, the Japanese yen and the group of currencies participating in the ERM and stability in nominal terms for all European (intra- and extra-Community) currencies except the Greek drachma and the Portuguese escudo. These two are assumed to be fixed in real terms.

The forecast is also based on a 'no-policy-change' assumption. This means that monetary policy is assumed to maintain the present stance throughout the period. Budgetary policy for 1990 is assumed to be an extrapolation of present trends except where discretionary measures have already been decided and announced.

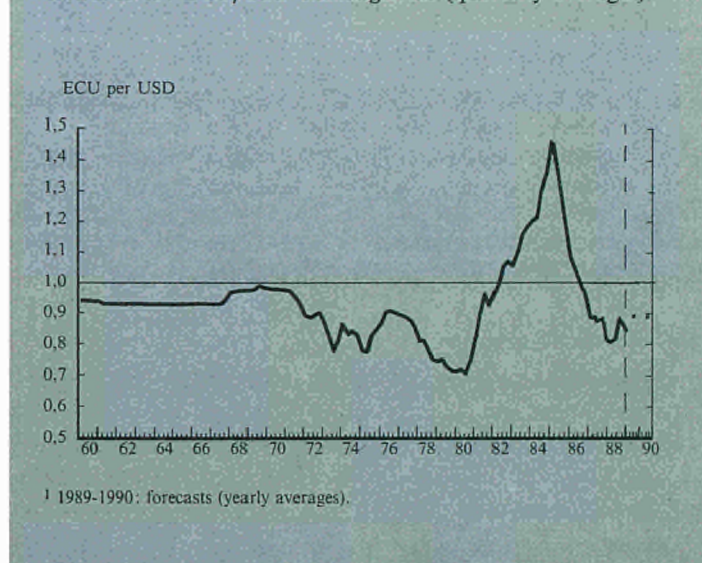
TABLE 36: Interest and exchange rates assumption *

	1985	1986	1987	1988	1989	1990
	Annual rates (percentage)					
Rates of interest (US)						
— Short-term ¹	7,5	6,0	5,9	6,8	9,4	8,9
— Long-term ²	10,8	8,1	8,7	9,0	9,5	9,2
	Change on preceding year (percentage)					
Exchange rate of USD						
— Vis-à-vis ECU ³	3,7	-22,7	-14,8	-2,5	6,2	-0,7
— Vis-à-vis YEN ³	0,1	-29,3	-14,0	-11,3	1,3	-2,2

¹ 13-week US treasury bills.

² US 10 year-bonds.

³ + (-) signifies an appreciating (depreciating) of the USD.

GRAPH 13: ECU/USD exchange rate (quarterly averages)¹

Risks. — The revision of the projection of present economic trends shows that some of the risks which had been highlighted in January have materialized.

The main elements of external imbalances continue to be on the US and Japanese side, with the current balances of the USA falling only slightly and that of Japan even increasing somewhat.

The growth momentum of the Community economy is once again stronger than expected. As was feared, the higher growth is accompanied by higher inflation and larger current account imbalances.

The major risks to the present forecast result from the financial environment and the possible repercussions of the slower improvement in the US external position and the still unresolved problem of world debt. At the Community level, uncertainty relates essentially to the delay with which corrective action will be taken in certain Member States. The performance in 1990 will also depend on the ability of governments to strike the right balance in their action and take measures which will be sufficient to correct the imbalances without unduly affecting growth. Finally the forecast depends to a large extent on the continuation of moderate wage behaviour during the coming wage rounds.

5 June 1989

TABLE 37: Demand components at constant prices⁽¹⁾ and contributions to real GDP growth⁽²⁾, EC Countries and EC, 1984-90 *

	1984	1985	1986	1987	1988	1989	1990
B⁴ Demand components							
Private consumption	1,2	2,1	3,4	1,6	2,5	2,7	2,8
Government consumption	-0,1	2,2	1,3	0,3	0,3	0,3	0,2
Fixed capital formation	2,1	1,0	3,7	7,6	12,9	10,5	5,8
— Construction	-5,9	-0,4	2,1	5,4	12,0	7,5	3,8
— Equipment	13,4	-0,7	10,9	10,3	14,0	14,0	8,0
Exports of goods and services	5,8	1,1	5,8	5,7	8,9	7,1	5,8
Imports of goods and services	6,0	0,7	7,6	7,7	9,0	7,5	6,0
GDP	2,3	0,9	1,9	2,0	4,0	3,6	2,8
Contributions to growth							
Final domestic demand	1,1	1,9	3,0	2,3	3,9	3,7	2,9
Stockbuilding	1,2	-1,3	-0,1	0,9	0,0	0,0	0,0
Foreign balance	0,1	0,3	-0,9	-1,2	0,0	-0,2	-0,1
DK⁴ Demand components							
Private consumption	3,4	5,5	3,8	-1,0	-1,3	0,0	1,0
Government consumption	-0,4	2,4	1,4	1,6	-0,1	-1,0	-0,3
Fixed capital formation	12,9	11,8	17,3	-9,0	-6,9	-3,1	1,7
— Construction	7,8	7,7	19,2	-1,2	-6,0	-5,0	0,0
— Equipment	14,3	15,4	14,8	-14,8	-8,1	-0,5	3,8
Exports of goods and services	3,5	4,3	0,7	4,9	5,6	5,2	4,8
Imports of goods and services	5,5	8,7	6,4	-1,3	0,6	2,0	3,5
GDP	4,4	4,2	3,3	-1,0	-0,2	1,1	1,7
Contributions to growth							
Final domestic demand	3,8	5,6	5,6	-2,0	-2,1	-0,8	0,7
Stockbuilding	1,2	-0,0	-0,2	-1,3	0,0	0,7	0,3
Foreign balance	-0,6	-1,4	-2,0	2,2	1,9	1,3	0,7
D⁴ Demand components							
Private consumption	1,9	1,6	3,4	3,4	2,5	1,6	2,6
Government consumption	1,1	1,6	2,3	1,3	1,8	1,0	1,6
Fixed capital formation	0,8	0,1	3,3	1,8	5,8	6,0	4,9
— Construction	1,6	-5,6	2,4	0,2	4,5	4,2	3,0
— Equipment	-0,2	9,9	4,3	5,6	7,5	8,3	7,2
Exports of goods and services	7,9	7,0	-0,6	0,7	5,6	6,8	6,3
Imports of goods and services	5,4	3,5	3,2	5,0	5,8	5,2	6,2
GDP	2,8	2,0	2,3	1,9	3,5	3,0	3,0
Contributions to growth							
Final domestic demand	1,5	1,2	3,0	2,6	3,0	2,4	2,8
Stockbuilding	0,4	-0,4	0,3	0,5	0,4	0,0	0,0
Foreign balance	0,9	1,2	-1,0	-1,1	0,1	0,6	0,2
GR³ Demand components							
Private consumption	1,7	3,9	-0,0	0,5	2,7	2,6	2,0
Government consumption	3,0	3,2	0,0	1,3	6,5	4,0	2,5
Fixed capital formation	-5,7	5,2	-5,7	-3,2	10,1	9,6	7,2
— Construction	-6,9	3,0	-3,4	-5,0	10,5	10,0	6,5
— Equipment	-4,2	7,6	-6,5	-0,9	9,5	9,0	8,0
Exports of goods and services	16,9	1,3	14,0	7,9	6,4	5,1	4,4
Imports of goods and services	0,2	12,8	3,8	8,1	7,9	7,4	4,7
GDP	2,8	3,1	1,2	-0,4	3,5	3,0	2,6
Contributions to growth							
Final domestic demand	0,5	4,2	-1,2	-0,0	4,5	4,1	3,1
Stockbuilding	0,5	0,3	-0,8	-1,9	-0,1	0,0	0,0
Foreign balance	3,2	-3,6	1,8	-0,8	-1,2	-1,4	-0,7
E⁴ Demand components							
Private consumption	-0,4	2,4	3,6	5,5	4,2	4,0	3,7
Government consumption	2,9	4,6	5,7	8,7	5,0	4,5	4,0
Fixed capital formation	-5,8	4,1	10,0	14,6	14,0	13,6	10,2
— Construction	-5,2	2,0	6,5	10,0	13,5	13,5	10,8
— Equipment	-7,3	8,4	10,4	21,7	14,7	13,9	9,4
Exports of goods and services	11,7	2,7	1,3	5,9	7,6	6,0	5,4
Imports of goods and services	-1,0	6,2	16,5	20,4	15,2	12,8	9,8
GDP	1,8	2,3	3,3	5,5	5,0	4,5	4,1
Contributions to growth							
Final domestic demand	-1,0	2,9	5,0	7,7	6,7	6,6	5,7
Stockbuilding	0,4	-0,1	0,9	0,7	0,3	0,0	0,0
Foreign balance	2,4	-0,5	-2,6	-2,8	-2,1	-2,1	-1,6
F⁴ Demand components							
Private consumption	1,1	2,3	3,4	2,5	2,6	2,4	2,5
Government consumption	1,2	2,3	2,6	2,4	1,9	2,4	2,3
Fixed capital formation	-2,6	2,8	2,9	3,7	6,1	5,6	5,5
— Construction	-3,2	-0,9	2,0	2,3	4,6	3,8	3,4
— Equipment	0,2	4,6	3,8	5,0	7,3	6,9	7,0
Exports of goods and services	7,0	1,7	-0,7	2,6	6,3	6,4	5,9
Imports of goods and services	2,7	4,3	7,3	7,5	7,1	5,5	5,5
GDP	1,3	1,7	2,1	2,2	3,2	3,1	3,1
Contributions to growth							
Final domestic demand	0,3	2,4	3,1	2,7	3,2	3,1	3,1
Stockbuilding	0,0	-0,2	0,8	0,6	0,4	0,0	0,0
Foreign balance	1,0	-0,6	-1,8	1,2	-0,3	0,1	0,0
IRL⁴ Demand components							
Private consumption	1,1	2,9	3,1	0,1	1,8	3,5	4,6
Government consumption	-0,8	0,3	1,7	-3,3	-4,3	-3,0	-1,5
Fixed capital formation	-2,0	-6,6	-0,3	0,0	0,7	6,6	7,3
— Construction	-13,5	-7,5	-5,3	-6,5	-6,2	5,4	7,5
— Equipment	9,2	4,9	0,3	3,6	6,0	7,4	7,1
Exports of goods and services	16,4	6,7	2,9	13,3	10,2	6,7	8,2
Imports of goods and services	9,9	3,3	5,5	4,9	4,8	7,7	8,2
GDP	4,2	1,6	-0,4	4,1	3,8	4,1	4,0
Contributions to growth							
Final domestic demand	-0,1	0,1	2,0	-0,5	0,4	2,9	4,0
Stockbuilding	1,2	-0,6	-0,6	-1,0	-0,8	1,6	-0,5
Foreign balance	3,1	2,0	-1,7	5,6	4,1	-0,3	0,5
I⁴ Demand components							
Private consumption	2,6	3,1	4,2	4,6	3,8	3,6	3,8
Government consumption	2,5	3,4	3,1	3,4	3,0	2,9	3,1
Fixed capital formation	5,3	2,5	1,4	5,2	4,9	5,2	3,8
— Construction	0,6	-0,5	-0,7	-0,4	3,7	4,0	2,6
— Equipment	9,3	8,2	2,0	14,1	6,0	6,2	4,8
Exports of goods and services	6,8	3,3	2,1	3,6	5,9	6,0	5,0
Imports of goods and services	11,0	4,4	5,0	10,5	7,2	7,0	7,0
GDP	3,2	2,9	2,9	3,1	3,9	3,4	3,0
Contributions to growth							
Final domestic demand	3,2	3,0	3,4	4,5	4,0	3,9	3,8
Stockbuilding	0,9	0,2	0,2	0,4	0,5	0,0	0,0
Foreign balance	-0,9	-0,3	-0,7	-1,8	-0,6	-0,5	-0,8

1984 1985 1986 1987 1988 1989 1990

L⁴ Demand components

Private consumption	2,4	1,7	4,2	1,4	3,5	3,3	2,5
Government consumption	1,8	3,5	4,0	3,6	1,5	1,5	1,5
Fixed capital formation	-0,4	-3,3	15,8	5,3	4,6	4,0	2,4
— Construction	-5,3	0,7	7,7	4,6	5,5	3,5	2,1
— Equipment	0,7	4,0	19,4	35,7	3,0	5,0	3,0
Exports of goods and services	17,4	9,0	6,1	6,5	7,5	5,5	4,4
Imports of goods and services	15,4	6,9	3,7	6,8	7,0	5,6	4,1
GDP	6,2	3,7	4,7	2,5	5,0	3,2	2,8

Contributions to growth

Final domestic demand	1,6	0,8	5,9	2,4	3,1	2,8	2,1
Stockbuilding	2,6	0,5	-3,8	-0,1	0,9	0,0	0,1
Foreign balance	2,0	2,3	2,6	0,2	1,1	0,4	0,6

NL⁴ Demand components

Private consumption	1,0	2,4	2,9	2,9	1,9	3,0	3,0
Government consumption	-0,6	1,3	2,0	0,9	0,1	0,0	0,0
Fixed capital formation	5,4	6,8	8,2	1,6	7,9	6,2	1,1
— Construction	4,0	-3,4	4,0	2,9	10,0	4,3	0,4
— Equipment	9,5	17,4	9,9	0,1	5,4	8,6	2,0
Exports of goods and services	7,4	5,4	1,6	4,2	7,5	6,4	5,5
Imports of goods and services	5,0	6,6	3,9	5,6	7,8	6,7	4,5
GDP	3,2	2,6	2,1	1,3	2,6	3,4	3,0

Contributions to growth

Final domestic demand	1,5	3,0	3,7	2,2	2,8	3,1	2,0
Stockbuilding	0,2	0,1	-0,3	-0,2	-0,2	0,3	0,3
Foreign balance	1,5	-0,4	-1,3	-0,7	-0,1	-0,1	0,7

P⁶ Demand components

Private consumption	-3,1	0,4	7,0	6,8	6,6	4,2	3,5
Government consumption	0,2	0,7	1,6	1,7	4,3	2,0	2,0
Fixed capital formation	-17,2	-3,4	9,5	19,5	15,8	12,0	10,0
— Construction	—	—	—	10,5	12,3	11,0	10,5
— Equipment	—	—	—	31,0	19,5	13,0	9,5
Exports of goods and services	12,1	7,9	6,9	10,0	7,0	8,0	6,7
Imports of goods and services	-4,6	1,9	17,5	23,5	17,2	11,9	8,5
GDP	-1,4	2,8	4,3	4,7	4,0	4,2	3,9

Contributions to growth

Final domestic demand	-6,9	-0,4	6,9	9,3	9,0	6,6	5,7
Stockbuilding	-0,0	1,3	1,8	2,0	0,0	0,5	0,2
Foreign balance	5,5	2,0	-4,3	-6,6	-5,0	-2,9	-2,0

1984 1985 1986 1987 1988 1989 1990

UK⁵ Demand components

Private consumption	1,8	3,5	5,4	5,1	6,5	3,6	1,9
Government consumption	0,9	0,0	1,9	0,9	0,5	0,9	0,7
Fixed capital formation	8,6	3,8	0,9	5,5	11,8	6,3	3,1
— Construction	7,0	-2,9	4,4	4,5	7,5	0,3	2,0
— Equipment	9,6	9,9	-3,9	12,2	16,0	11,8	3,9
Exports of goods and services	6,6	5,8	3,8	5,6	-1,0	2,7	5,9
Imports of goods and services	9,8	2,5	6,5	7,4	11,9	6,4	4,0
GDP	1,8	3,6	3,1	3,8	3,7	2,4	2,1

Contributions to growth

Final domestic demand	2,8	2,8	3,8	4,3	6,2	3,7	2,0
Stockbuilding	-0,1	-0,2	0,0	0,0	0,3	-0,3	-0,2
Foreign balance	-0,8	0,9	-0,7	-0,5	-3,8	-1,3	0,3

EUR Demand components

Private consumption	1,5	2,6	3,9	3,8	3,7	2,9	2,8
Government consumption	1,3	2,0	2,5	2,3	1,9	1,8	1,8
Fixed capital formation	1,5	-2,5	3,4	4,8	7,8	6,8	5,0
— Construction	0,5	-1,9	2,8	2,4	6,4	4,7	3,9
— Equipment	4,2	8,3	3,1	9,3	9,3	8,9	6,1
Exports of goods and services	7,6	4,5	1,8	3,9	5,2	5,8	5,8
Imports of goods and services	6,0	4,1	6,2	8,2	8,6	6,8	5,9
GDP	2,3	2,5	2,6	2,8	3,6	3,2	2,9

Contributions to growth

Final domestic demand	1,5	2,4	3,5	3,7	4,2	3,6	3,2
Stockbuilding	0,4	-0,1	0,3	0,3	0,5	0,1	0,0
Foreign balance	0,5	0,2	-1,2	-1,2	-1,1	-0,5	-0,2

¹ Percentage change on preceding year.² Change as a percentage of GDP of preceding period.³ 1970 prices.⁴ 1980 prices.⁵ 1985 prices.⁶ 1986 prices.**Notes on technicalities, concepts and sources.**

1. Directorate General II 'Economic and Financial Affairs' regularly produces, under its own responsibility, short-term economic forecasts (treating the current and the following year). These forecasts cover the principal macro-economic aggregates of the Member States and of the Community as a whole, in addition to the international environment. Although the forecasts primarily serve as a support to the internal work of the Commission and its services, they also form the subject-matter of a regular publication in the Supplement A series 'Economic Trends' of the review 'European Economy'.

2. Concepts and sources

The tables and graphs which are presented name the 'Commission Services' as their source, except where otherwise indicated.

All figures for 1989 and 1990 incorporated in tables and graphs are to be considered as forecasts.

The historical part of the time series presented in the tables (in the present case, until 1987) is based on ESA national accounts (European System of Integrated Economic Accounts) which are published once a year by Eurostat. In the prospective part (1988 estimates, 1989 and 1990 forecasts) the concepts are generally in line with national economic accounting practice and, therefore, do not always follow the ESA definitions.

3. The total Community (EC) national accounts data are generally aggregated by the use of Purchasing Power Standards. The aggregation in the tables 'Export Markets', 'Current Balance as % of GDP' and 'GNP at Market Prices' is made by converting into ecus. The EC aggregate refers to the current twelve Member States; this also applies to historical data; where the calculation was not possible the particular coverage of the EUR aggregate is specified.

4. Technical Notes

The world geographical zones are defined as follows:

- Asian NICs: newly industrialized Asian countries (Hong Kong, South Korea, Singapore, Taiwan);
- Other NICs: the newly industrialized countries (Argentina, Brazil, Israel, the Philippines, Thailand, South Africa and Yugoslavia);

- CPE: centrally planned economies, excluding China which is included in the developing countries group. In the tables on international trade, intra-Comecon flows could not be taken into account;

In the ESA definition of 'General Government' social security is included but public enterprises are excluded.

Public investment is included in gross fixed capital formation. Investment in construction includes dwellings, non-residential buildings and civil engineering works.

The employment statistics refer to the number of occupied persons except in The Netherlands where it is calculated in man-years.

In the tables concerning imports and exports the EUR aggregate includes both intra and extra-Community trade.

TABLE A.1: Industrial production (a) — Percentage change on preceding period (s.a.)

	1984	1985	1986	1987	1988	1988				1989	1988				1989			Change over 12 months (%) (b)
						I	II	III	IV		Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	March	
B	2.5	2.5	0.8	2.1	5.0	3.5	1.0	0.8	0.7	:	1.7	1.0	0.8	-2.8	5.4	-2.2	:	5.5
DK	9.7	4.2	4.2	-3.1	0.9	1.2	1.6	-4.2	2.2	:	-2.3	-2.5	6.5	-0.1	:	:	:	-1.6
D	3.3	4.9	2.2	0.3	3.6	0.7	0.8	2.0	0.7	0.8	-1.1	-0.5	-0.3	1.8	0.0	-0.5	-0.3	3.8
GR	1.6	3.4	-0.2	-1.7	5.7	5.4	-0.4	0.2	-1.1	:	-2.3	-1.3	3.0	-2.8	5.6	:	:	4.3
E	0.8	2.0	3.1	4.6	2.9	0.6	1.1	-0.7	0.5	:	3.3	-4.6	7.2	-3.6	4.7	-2.5	:	2.6
F	2.0	1.0	1.0	2.0	:	0.9	1.0	1.8	0.5	1.0	-1.0	-1.2	4.0	-0.9	1.1	-0.7	-0.9	0.6
IRL	9.9	3.5	3.2	9.7	10.3	2.8	0.8	0.8	6.9	:	2.5	5.6	-3.1	4.5	2.1	:	:	11.3
I	3.4	1.3	2.7	3.9	:	2.2	0.7	3.5	4.0	0.4	-0.7	-0.3	5.7	1.3	-2.6	1.5	-1.6	-1.4
L	13.3	6.9	2.8	0.8	11.3	2.8	2.7	3.8	2.6	:	-6.4	3.1	1.9	2.6	:	:	:	11.7
NL	5.2	3.9	0.0	0.9	:	-3.1	-0.6	4.8	0.9	-2.4	2.8	1.8	-0.9	-2.7	0.0	0.9	-2.8	1.8
P	-0.1	10.9	5.7	2.4	6.0	3.4	1.2	-0.1	3.3	:	-1.1	3.6	0.7	0.5	:	:	:	7.0
UK	0.2	5.4	2.2	3.5	3.7	0.0	1.4	1.2	0.0	-1.4	0.5	-0.5	0.6	-0.6	-1.3	-0.2	0.6	-2.6
EUR 12	2.3	3.4	2.2	2.1	4.3	0.8	1.0	1.5	1.7	(0.2)	1.4	-0.8	2.0	0.0	(0.1)	(-0.5)	(-0.7)	(1.9)
USA	12.3	2.1	2.1	4.3	6.0	1.2	1.4	1.7	1.2	1.1	0.3	0.7	0.3	0.3	0.8	0.1	-0.1	4.9
JAP	9.4	3.7	-0.2	3.0	9.8	3.2	-0.2	2.4	2.4	:	0.5	-1.0	2.8	0.9	0.9	-1.7	:	4.8

TABLE A.2: Unemployment rate — Number of unemployed as percentage of civilian labour force (s.a.)

	1984	1985	1986	1987	1988	1988				1989	1988				1989			Change over 12 months (%) (b)
						I	II	III	IV		Oct.	Nov.	Dec.	Jan.	Feb.	March	April	
B(g)	14.4	13.6	12.5	12.1	11.1	11.6	11.3	11.1	10.6	10.4	10.7	10.6	10.5	10.4	10.4	10.4	10.2	-9.8
DK	9.9	8.7	7.5	7.5	8.3	7.7	8.2	8.6	8.9	8.9	8.9	8.9	9.0	8.7	8.7	8.9	9.0	11.5
D	8.4	8.4	8.1	8.1	8.0	8.0	8.2	8.1	7.9	7.3	8.0	7.9	7.8	7.4	7.3	7.2	7.3	-10.0
GR	1.8	2.2	2.8	2.8	2.8	2.8	2.7	2.8	2.7	2.8	2.8	2.8	2.7	2.6	2.9	2.8	3.0	12.6
E	18.4	19.5	20.0	20.4	19.6	20.4	20.0	19.5	18.7	18.0	18.9	18.6	18.5	18.2	18.0	17.8	17.7	-9.8
F	10.0	10.5	10.7	11.1	10.9	10.9	10.8	10.9	10.7	10.7	10.8	10.6	10.7	10.7	10.7	10.7	10.7	0.3
IRL	16.6	17.9	18.3	19.1	18.7	18.9	18.7	18.7	18.5	18.3	18.6	18.5	18.3	18.3	18.2	18.3	18.0	-3.6
I	12.0	12.9	13.7	14.2	16.1	15.6	16.3	16.4	16.6	16.0	16.6	16.7	16.4	16.0	15.8	16.1	16.4	-0.5
L	1.8	1.7	1.5	1.7	1.5	1.7	1.6	1.6	1.4	1.3	1.4	1.4	1.4	1.3	1.2	1.4	1.3	-14.5
NL(g)	14.5	13.3	12.3	(11.8)	7.3	8.4	7.6	6.9	6.5	7.0	6.6	6.5	6.4	7.0	7.0	6.9	:	-11.1
P	6.7	7.7	8.3	7.0	6.7	6.7	6.6	6.6	6.6	6.9	6.5	6.6	6.7	6.9	6.9	6.9	:	3.3
UK	11.6	11.8	12.0	10.7	8.6	9.4	8.9	8.4	7.6	7.1	7.8	7.6	7.4	7.3	7.1	7.0	6.7	-25.7
EUR 12	11.2	11.6	11.7	(11.6)	11.2	11.4	11.3	11.2	10.9	10.5	11.0	10.9	10.7	10.6	10.5	10.5	:	-7.7
USA	7.5	7.2	7.0	6.2	:	5.7	5.5	5.5	5.3	:	5.3	5.4	5.3	5.4	5.1	:	:	-3.9
JAP(h)	2.7	2.6	2.8	2.8	2.5	2.7	2.5	2.5	2.4	:	2.5	2.4	2.4	2.3	2.3	:	:	-12.7

TABLE A.3: Consumer price index — Percentage change on preceding period

	1984	1985	1986	1987	1988	1988				1989	1988				1989			Change over 12 months (%) (b)
						I	II	III	IV		Oct.	Nov.	Dec.	Jan.	Feb.	March	April	
B	6.4	4.9	1.3	1.6	1.2	0.0	0.7	0.6	0.3	1.0	0.0	-0.1	0.4	0.4	0.4	0.2	0.7	3.0
DK	6.3	4.7	3.7	4.0	4.5	1.2	1.4	0.4	1.2	1.4	0.2	0.7	0.0	0.5	0.7	0.6	(0.7)	(5.0)
D	2.4	2.2	-0.2	0.3	1.2	0.5	0.5	0.1	0.4	1.6	0.1	0.2	0.2	1.1	0.3	0.2	0.6	3.0
GR	18.4	19.3	23.0	16.4	13.5	1.6	4.5	1.9	5.4	1.3	2.5	0.7	1.1	-0.3	-0.4	2.7	1.6	13.0
E	11.2	8.8	8.8	5.3	4.8	1.2	0.3	2.5	1.3	1.9	0.1	-0.1	0.8	1.0	0.2	0.6	0.3	6.8
F	7.3	5.9	2.7	3.1	2.7	0.5	1.0	0.9	0.6	(0.8)	0.2	0.1	0.2	0.4	0.3	(0.3)	(0.6)	(3.6)
IRL(i)	8.6	5.4	3.8	3.1	2.2	0.7	0.5	0.8	0.6	1.4	(0.2)	(0.2)	(0.5)	(0.5)	:	:	:	(3.4)
I	10.8	9.2	5.8	4.7	5.1	1.2	1.0	1.0	1.9	1.8	0.8	0.8	0.3	0.7	0.8	0.5	(0.7)	(6.5)
L	6.4	4.1	0.3	-0.1	1.4	0.4	0.2	0.7	0.6	1.1	0.2	0.3	0.0	0.7	0.3	0.3	0.3	3.2
NL	3.1	2.3	0.2	-0.4	0.9	-0.7	0.7	0.4	0.4	-0.6	0.1	0.1	-0.1	-0.9	0.3	0.4	(0.4)	(1.1)
P	29.3	19.3	11.7	9.4	9.6	3.1	1.7	2.6	(3.6)	(3.9)	0.9	1.5	(1.2)	(1.3)	1.4	0.9	1.1	13.2
UK	5.0	6.1	3.4	4.1	4.9	0.5	2.4	1.4	2.1	1.6	1.0	0.5	0.3	0.6	0.7	0.4	2.1	8.4
EUR 12	(7.4)	(6.1)	(3.6)	(3.3)	(3.6)	(0.7)	(1.2)	(1.0)	(1.2)	(1.4)	(0.4)	(0.3)	(0.3)	(0.6)	(0.5)	(0.4)	(0.9)	(5.4)
USA	4.3	3.6	1.9	3.7	4.1	0.6	1.3	1.3	1.0	1.1	0.3	0.1	0.2	0.5	0.4	0.6	0.7	5.1
JAP	2.3	2.2	0.7	0.1	0.7	-0.5	0.7	0.2	0.8	-0.6	0.5	-0.4	-0.3	-0.2	-0.3	0.5	(1.2)	(1.8)

TABLE A.4: Visible trade balance — fob/cif, million ECU (s.a.)

	1984	1985	1986	1987	1988	1988				1989	1988				1989			Change over 12 months (%) (c)
						I	II	III	IV		Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	March	
B/L	-4897	-3514	146	-580	-2543	-396	-813	-987	-605	:	-296	-67	-382	-157	:	:	:	-8
DK	-1108	-1538	-1714	96	926	443	57	139	349	229	-12	120	37	192	74	156	-1	-57
D	24136	32986	53044	56960	60936	12908	15782	15407	15870	(18185)	4968	4511	5756	5603	6273	5707	(6206)	(2269)
GR	-6048	-7266	-5809	-5694	-1589	-1358	-446	-470	405	:	:	:	:	:	:	:	:	-30
E	-4711	-5582	-6306	-8749	-12000	-2384	-2881	-2902	-3603	-4241	-884	-1100	-1098	-1405	-1021	-1498	-1722	-771
F	-13130	-13428	-9699	-12473	-11968	-2405	-2969	-3264	-3420	-3007	-833	-942	-1349	-1128	-1168	-692	-1148	-192
IRL	81	430	983	2047	2740	649	721	740	684	(692)	249	264	229	191	220	244	(227)	(95)
I	-13849	-16130	-2459	-7427	-8390	-2804	-757	-3230	-2165	-3956	-1453	-885	-550	-729	-1739	-797	-1420	232
NL	4740	3874	4161	1088	1296	62	-531	582	1023	:	139	301	413	310	148	(346)	:	(730)
P	-3467	-2735	-1297	-2955	-3474	-732	-824	-894	-1041	:	-287	-314	-364	-363	-341	:	:	-145
UK	-14005	-11540	-19868	-20890	-42385	-8685	-9928	-10856	-13031	-11627	-2735	-5062	-4220	-3749	-4341	-4290	-2996	-447
EUR 12(j)	32257	-24671	10547	1163	(-21281)	(-4401)	(-3186)	(-6854)	(-6840)	:	(-1607)	(-3660)	(-1892)	(-1288)	(-3066)	(-1516)	:	(312)
USA(k)	-154992	-194856	-157829	-132030	-101248	-26584	-23659	-25031	-25974	-24295	-8274	-7703	-8991	-9280	-7625	-8727	-7943	-30
JAP	42599	60497	84010	69636	65349	16861	13700	15997	18791	19529	5477	6310	6436	6045	6660	7874	4995	413

TABLE A.5: Money stock (l) — Percentage change on preceding period (s.a.)

		Change over preceding period (%)																
		1988				1989				1988			1989				Change over 12 months (%) (d)	
1984	1985	1986	1987	1988	I	II	III	IV	I	Oct.	Nov.	Dec.	Jan.	Feb.	March	April		
B (M2)	5.9	7.6	12.7	10.2	6.6	2.2	1.5	1.8	1.0	:	:	:	:	:	:	:	6.6	
DK (M2)	17.8	15.8	8.4	4.4	3.5	-2.8	3.7	2.0	0.6	1.2	-0.3	-0.8	1.7	0.9	-0.6	0.9	:	7.7
D (M3)	4.7	5.1	6.8	6.0	6.8	1.9	1.8	1.5	1.4	2.0	0.4	0.7	0.3	0.8	0.7	0.5	0.1	6.2
GR (M3)	29.4	26.8	19.0	24.8	22.8	7.0	5.1	5.1	5.0	:	1.2	1.8	1.9	1.6	:	:	:	23.5
E (ALP)	13.2	12.8	11.4	14.0	11.0	2.5	2.7	2.5	2.8	2.7	0.9	0.9	0.9	1.1	1.1	0.4	:	11.3
F (M2)	9.8	6.0	4.1	4.3	3.5	-0.7	2.1	0.8	1.5	0.2	1.6	0.0	-0.1	0.6	-0.7	0.3	:	4.6
IRL (M3)	10.1	5.3	-1.0	10.9	6.3	2.3	1.8	2.1	0.3	0.4	-2.1	0.5	2.0	1.3	-0.1	-0.7	:	4.1
I (M2)	12.1	10.8	9.4	8.3	8.4	0.7	3.0	2.9	1.7	:	0.9	-0.1	0.8	-0.2	1.0	:	:	9.2
NL (M2)	(6.8)	(10.5)	4.5	3.9	13.8	1.1	3.5	3.0	4.8	:	1.4	1.0	2.3	0.4	:	:	:	13.0
P (L)	24.6	28.9	25.9	16.8	(14.9)	5.5	3.6	3.7	(1.3)	:	-0.1	(3.1)	(-1.6)	(5.6)	(-1.1)	:	:	(15.5)
UK (L & M3)	10.1	13.4	19.1	22.9	20.4	4.1	4.5	6.5	4.1	4.6	0.7	0.9	2.4	1.2	1.7	1.6	:	21.0
EUR 12 (m)	(9.8)	(9.6)	9.7	10.1	9.7	1.7	2.8	2.7	2.2	:	0.8	0.5	0.8	(0.7)	(0.6)	:	:	(10.4)
USA (M2)	8.2	8.1	9.1	3.4	5.8	2.3	1.7	0.6	1.2	0.4	0.1	0.7	0.3	-0.1	0.1	0.4	:	3.8
JAP (M2)	7.8	8.7	9.2	10.8	10.2	(2.7)	2.5	2.7	1.9	:	1.0	0.2	0.6	1.5	0.8	:	:	10.2

TABLE A.6: Short-term interest rates (n)

	1984	1985	1986	1987	1988	1988				1989				1988				1989				Change over 12 months % (e)
						I	II	III	IV	I	Oct.	Nov.	Dec.	Janu.	Febru.	March	April					
B	11,5	9,6	8,1	7,1	6,7	6,1	6,1	7,4	7,5	8,2	7,3	7,2	7,5	7,7	8,4	8,2	8,3	2,2				
DK	11,5	10,0	9,1	9,9	8,3	8,7	8,4	7,8	8,0	8,0	7,8	7,8	8,0	8,0	7,8	8,0	8,5	-0,4				
D	6,0	5,4	4,6	4,0	4,3	3,4	4,4	4,9	5,3	6,5	4,8	4,9	5,3	5,8	6,8	6,5	6,5	3,1				
GR	15,7	17,0	19,8	14,9	14,3	16,5	17,0	11,3	20,9	19,7	15,8	19,8	20,9	16,1	19,9	19,7	0,0	3,2				
E	14,9	12,2	11,7	15,8	11,6	10,7	10,7	12,5	14,0	14,9	12,3	12,6	14,0	14,0	14,9	14,9	15,0	3,6				
F	11,7	10,0	7,7	8,3	7,9	8,3	7,3	7,9	8,6	8,9	8,1	8,1	8,6	8,8	9,7	8,9	8,8	0,7				
IRL	13,2	12,0	12,4	11,1	8,1	8,3	7,8	7,6	8,4	8,2	7,6	8,0	8,4	8,2	8,4	8,2	9,2	1,1				
I	17,3	15,0	12,8	11,4	11,3	11,1	11,1	11,4	11,8	12,5	11,5	11,8	11,8	12,4	12,6	12,5	12,4	1,9				
NL	6,1	6,3	5,7	5,4	4,8	4,0	4,4	5,6	5,8	6,8	5,3	5,4	5,8	6,3	7,3	6,8	6,9	2,9				
P	22,5	21,0	15,6	13,9	13,0	13,1	12,6	12,9	12,5	12,5	12,7	12,9	12,5	12,5	12,5	12,5	12,7	-0,3				
UK	10,0	12,2	10,9	9,7	10,3	8,6	9,9	11,9	13,2	13,0	12,0	13,2	13,2	13,0	13,4	13,0	13,0	4,5				
EUR 12 (o)	11,2	10,4	9,0	8,8	8,5	7,8	8,1	8,9	9,7	10,3	9,0	9,4	9,7	9,9	10,6	10,3	10,3	2,6				
USA	9,5	7,5	6,0	5,9	6,9	5,9	6,8	7,5	8,4	9,2	7,6	8,2	8,4	8,7	9,0	9,2	8,7	2,6				
JAP	6,3	6,5	5,0	3,9	4,0	3,9	4,0	4,3	4,7	4,7	4,3	4,5	4,7	4,6	4,6	4,7	4,8	0,9				

TABLE A.7: Long-term interest rates (p)

	1984	1985	1986	1987	1988	1988				1989				1988				1989				Change over 12 months % (e)
						I	II	III	IV	I	Oct.	Nov.	Dec.	Janu.	Febru.	March	April					
B	12,0	10,6	7,9	7,8	7,9	7,7	7,8	8,1	8,1	8,5	8,0	8,1	8,1	8,2	8,5	8,5	8,3	0,7				
DK	14,0	11,6	10,5	11,9	10,6	11,1	10,6	10,1	9,8	10,0	10,0	10,0	9,8	9,9	10,1	10,0	10,0	-1,5				
D	7,8	6,9	5,9	5,8	6,1	5,7	6,1	6,3	6,3	6,9	6,2	6,1	6,3	6,5	6,9	6,9	6,9	1,1				
GR	18,5	15,8	15,8	17,4	16,9	19,1	15,2	14,9	13,9	0,0	15,3	12,8	13,9	0,0	0,0	0,0	0,0	12,8				
E	16,5	13,4	11,4	12,8	11,8	11,8	11,3	11,4	12,8	13,7	12,1	12,5	12,8	13,2	13,4	13,7	13,7	2,4				
F	12,5	10,9	8,4	9,4	9,0	9,4	8,8	8,8	8,5	9,0	8,6	8,7	8,5	8,6	9,3	9,0	8,7	-0,5				
IRL	14,6	12,7	11,1	11,3	9,4	10,1	9,6	8,8	8,3	8,8	8,2	8,4	8,3	8,6	8,8	8,8	9,1	-0,7				
I	15,0	14,3	11,7	11,3	12,1	12,1	12,1	12,3	12,3	12,9	12,1	12,0	12,3	12,3	12,6	12,9	13,0	0,9				
L	10,3	9,5	8,7	8,0	7,1	7,7	6,5	7,5	6,1	0,0	7,7	7,0	6,1	7,5	7,6	0,0	0,0	-0,2				
NL	8,6	7,3	6,4	6,4	6,3	6,0	6,3	6,4	6,4	7,1	6,2	6,3	6,4	6,6	7,0	7,1	7,0	1,0				
P	32,5	25,4	17,9	15,4	14,1	14,1	14,0	14,1	14,4	14,4	13,8	14,1	14,4	14,1	13,9	14,4	0,0	0,3				
UK	10,7	10,6	9,8	9,5	9,3	9,0	9,6	9,4	9,5	9,4	9,2	9,4	9,5	9,2	9,3	9,4	9,4	0,2				
EUR 12 (o)	11,8	10,9	9,2	9,4	9,4	9,3	9,3	9,3	9,4	9,9	9,2	9,3	9,4	9,5	9,8	9,9	9,8	0,5				
USA	12,0	10,8	8,1	8,7	9,0	8,6	9,0	9,1	9,1	9,2	8,9	9,1	9,1	8,9	9,0	9,2	9,1	0,2				
JAP	7,3	6,5	5,2	4,7	4,7	4,5	4,7	5,2	4,5	5,2	4,8	4,6	4,5	4,6	4,9	5,2	5,2	0,9				

TABLE A.8: Value of ECU = ... units of national currency or SDR

	1984	1985	1986	1987	1988	1988				1989				1988				1989				Change over 12 months % (b)
						I	II	III	IV	I	Nov.	Dec.	Janu.	Febru.	March	April	May					
BFR/LFR	45,44	44,91	43,80	43,04	43,43	43,23	43,44	43,54	43,49	43,63	43,45	43,56	43,65	43,68	43,59	43,56	43,57	0,3				
DKR	8,15	8,02	7,94	7,88	7,95	7,92	7,94	7,94	8,00	8,09	8,00	8,02	8,07	8,11	8,11	8,10	8,10	1,7				
DM	2,24	2,23	2,13	2,07	2,07	2,07	2,08	2,08	2,08	2,08	2,07	2,08	2,08	2,08	2,08	2,08	2,08	0,1				
DR	88,4	104,8	137,4	156,1	167,5	165,2	166,4	167,2	171,4	174,1	171,7	173,0	173,1	174,0	175,2	177,1	177,0	6,2				
PTA	126,5	129,0	137,5	142,2	137,6	139,4	137,5	137,5	136,0	130,1	136,4	134,6	130,5	130,2	129,7	129,2	130,1	-5,4				
FF	6,87	6,80	6,80	6,93	7,04	6,99	7,03	7,04	7,09	7,08	7,08	7,10	7,10	7,10	7,05	7,03	7,04	0,0				
IRL	0,726	0,715	0,733	0,775	0,776	0,776	0,777	0,774	0,776	0,780	0,776	0,777	0,779	0,781	0,780	0,780	0,779	0,0				
LIT	1381	1447	1462	1495	1537	1524	1543	1543	1539	1527	1541	1533	1529	1525	1528	1526	1513	-2,1				
HFL	2,52	2,51	2,40	2,33	2,34	2,32	2,33	2,35	2,34	2,35	2,34	2,35	2,35	2,35	2,35	2,35	2,35	0,7				
ESC	115,6	130,0	146,9	162,5	170,1	169,1	169,7	169,8	171,7	171,1	172,0	172,0	170,9	171,1	171,5	172,0	172,0	1,3				
UKL	0,591	0,589	0,670	0,705	0,664	0,687	0,661	0,657	0,653	0,644	0,655	0,648	0,641	0,642	0,650	0,654	0,656	-0,1				
USD	0,788	0,759	0,983	1,154	1,183	1,234	1,218	1,114	1,170	1,126	1,185	1,184	1,138	1,125	1,115	1,112	1,066	-13,2				
YEN	187,0	180,4	165,0	166,5	151,5	157,9	153,0	149,0	146,4	144,5	146,0	146,3	144,7	143,7	145,4	146,9	147,5	-3,7				
DTS	0,833	0,767	0,749	0,838	0,892	0,895	0,889	0,902	0,890	0,859	0,893	0,879	0,864	0,854	0,859	0,864	0,874	-3,9				

TABLE A.9: Effective exchange rates: export aspect (q) — Percentage change on preceding period

	Percentage change on preceding period																	Change over 12 months % (b)
	1988					1989				1988				1989				
	1984	1985	1986	1987	1988	I	II	III	IV	I	Nov.	Dec.	Janu.	Febru.	March	April	May	
B/L	-2.2	0.9	5.5	4.1	-1.3	-0.2	-0.9	-1.4	0.6	-1.0	0.4	-0.3	-0.9	-0.3	0.2	0.1	-0.5	-2.3
DK	-3.7	1.2	6.3	4.2	-1.9	0.3	-1.3	-1.8	-0.2	-2.2	0.5	-0.5	-1.6	-0.7	0.0	0.2	-0.8	-4.7
D	-1.6	0.3	10.7	6.9	-0.8	-0.1	-1.3	-2.0	0.9	-1.5	0.6	-0.4	-1.3	-0.3	0.2	0.1	-0.8	-3.2
GR	-14.4	-15.9	-21.3	-9.9	-7.2	-2.1	-1.2	-2.0	-2.0	-2.3	-0.8	-0.8	-0.8	-0.7	-0.7	-1.0	-0.5	-8.2
E	-2.4	-2.3	-1.5	0.2	3.1	-0.8	0.8	-1.8	1.9	3.6	1.1	1.3	2.2	0.0	0.4	0.4	-1.4	2.8
F	-4.8	1.1	4.5	1.1	-2.3	-0.3	-1.3	-1.8	-0.2	-1.0	0.4	-0.4	-1.0	-0.1	0.7	0.4	-0.8	-2.9
IRL	-4.2	1.2	3.7	-2.1	-1.4	-0.2	-1.3	-1.4	0.3	-1.6	0.4	-0.4	-1.3	-0.4	0.4	0.1	-0.4	-2.7
I	-5.9	-5.2	3.7	1.1	-3.5	-0.8	-2.0	-1.9	1.0	-0.2	0.9	0.5	-0.7	0.0	-0.2	0.3	0.2	-0.8
NL	-1.6	0.3	7.7	5.1	-0.4	0.1	-0.9	-1.8	0.6	-1.1	0.4	-0.4	-0.9	-0.2	0.2	0.1	-0.4	-2.6
P	-17.4	-11.5	-7.8	-7.1	-5.1	-1.5	-1.1	-1.3	-0.7	-0.7	-0.1	-0.2	-0.2	-0.3	-0.3	-0.3	-0.5	-3.6
UK	-4.7	-0.2	-7.3	-1.0	5.7	0.7	3.2	-1.8	1.5	0.2	1.0	1.1	0.0	-0.5	-1.4	-0.6	-1.3	-4.0
EUR 12	-9.3	-1.9	9.6	7.0	-1.6	-0.5	-1.6	-4.7	1.8	-1.9	1.5	0.1	-2.0	-0.6	0.1	0.2	-1.7	-6.7
USA	7.8	4.1	-19.1	-12.1	-6.1	-2.9	-0.7	-6.2	-4.5	2.3	-3.1	-0.3	2.6	0.7	1.3	0.5	3.7	9.8
JAP	5.8	3.0	27.2	8.2	10.4	4.8	1.8	-2.4	4.3	-1.1	2.6	-0.4	-1.3	0.1	-1.4	-1.1	-2.5	-4.2

Principal economic policy measures - April 1989

Community (EUR 12)

12.4 The Committee chaired by Mr. Jacques Delors presented on the 12th of April, 1989 its 'Report on economic and monetary union in the European Community', in response to the mandate of the European Council.

Belgium (B)

24.4 The central bank raises the discount rate and the rate for current account advances by half a percentage point, taking them to 8.75 % and 9 % respectively. The rates for Treasury certificates are increased by 0.10 of a percentage point.

Denmark (DK)

30.3 The Nationalbank lowers the limit for banks' drawing on current account without the provisions of collateral from 10 % to 5 % of a bank's capital base. Simultaneously, the rate of interest on bank deposits with the Nationalbank was raised by a quarter of a percentage point to 8 %.

20.4 The Nationalbank raises its key interest rates by half a percentage point. The rate of interest on bank deposits with the Nationalbank was raised to 8 ½ % while the rate of interest on bank borrowing from the Nationalbank was raised to 9 %. Also the base rate on repurchase agreements was raised by half a point to 9 ½ %.

Federal Republic of Germany (D)

20.4 The Bundesbank raises its interest rates by half a point each. The discount rate is now 4,5 % and the Lombard rate is now 6,5 %. The Bundesbank last raised its rates in January.

20.4 The Poststrukturgesetz passes Federal legislation. This postal structural law divides the Federal post into three independent units: the mailing service, the telecommunications service and the banking service. More importantly, however, the law breaks up the Federal posts monopoly in the market for telecommunication hardware for final users.

Greece (GR)

31.3 The Governor of the Bank of Greece decides to introduce an open market policy. The commercial banks are given the right to sell to the Bank of Greece the proportion of Treasury bills in their possession in excess of the compulsory investment requirement (equivalent in value to 38 % of bank deposits) but are required to buy them back after a fixed period. The Bank of Greece will buy these bills at a price corresponding to 90 % of their nominal value, while the price at which they are repurchased by the banks will be determined under an auction system. In another decision, the Governor of the Bank of Greece requires the post office savings bank to set aside a sum equivalent in value to 3 % of private deposits to finance the social security agencies.

19.4 Under a decision by the Minister for Finance, most of the debts to the tax authorities falling due on 30 April are capitalized and converted into 24 interest-free monthly instalments, provided that the principal debt does not exceed DRA 5 million and any surcharges do not exceed 75 % of this sum.

21.4 By joint decision of the Ministers for Economic Affairs and for Finance, the interest rates on Treasury bills are raised by half a point from the end of April. This brings the interest rates for three-, six- and twelve-month bills to 16 %, 17 % and 19 % respectively.

Spain (E)

20.4 The Treasury raises the interest rate on issue of its twelve-month securities by half a point, taking it to 14.517 %. The Treasury will market public debt to private individuals directly in order to give savers easier access to the primary public debt market.

21.4 The Bank of Spain raises the interest rate on three-month Treasury securities repurchase operations by 0.4 %, taking it to 13.75 %.

France (F)

None.

Ireland (IRL)

None.

Italy (I)

None.

Luxembourg (L)

None.

Netherlands (NL)

None.

Portugal (P)

24.4 The Bank of Portugal raises by between 0.5 % and 1 % the interest rates which it pays on the time deposits of other monetary institutions; the interest rates on monetary regularization certificates (TRMs) are raised from 13.4 % to 14.1 %. The Bank of Portugal also decides to pay interest on the compulsory reserves on time deposits, the interest rate being 1 % over the minimum rate for private individuals' six-month time deposits.

United Kingdom (UK)

None.

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